Gold loses lustre

Why central banks are reducing their stocks

Page 11

Edouard Balladur

Holding the key if the Right wins in France

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Great expectations

Why the US has high hopes for Clinton

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Roll over, Confucius

How Japanese companies deal with younger employees

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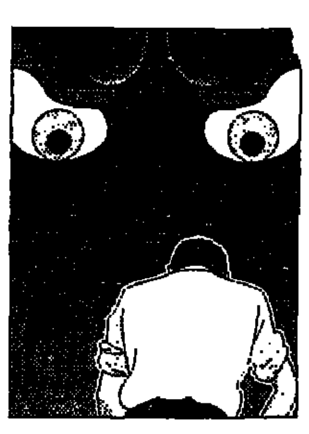

FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper

MONDAY JANUARY 18 1993

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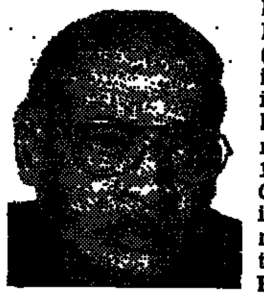
Nissan UK loses claim against Tokyo carmaker

Nissan UK, former British importer and distributor of Nissan vehicles, has had its claim for damages totalling several hundred million pounds against Japanese carmaker Nissan Motor rejected by international arbitrators. The arbitrators have ruled that Nissan Motor was justified in terminating NUK's lucrative distribution franchise at the end of 1990. A warrant, issued by the British tax authorities last year, is still outstanding for the arrest of NUK's chairman, Octav Botnar, 79, who lives in Switzerland. Page 10

Aims of German industry pact: The German government's planned "solidarity pact" with unions, employers and the opposition should aim to renegotiate wage contracts in east Germany and demonstrate the government's capacity to cut spending, according to BDI, the German federation of industry. Page 10

Indian PM reshapes cabinet after attacks



Indian prime minister P.V. Narasimha Rao (left), whose authority has been dented following criticism of his handling of the Ayodhya mosque crisis, dismissed 14 of his 59-member Council of Ministers in the biggest mid-term reshuffle for more than a decade. Page 4

O&Y moves towards management: A reborn Olympia & York, centred on property management rather than development, is starting to take shape as the Canadian property group struggles to win approval from creditors for an C$8.5bn ($6.6bn) debt-restructuring plan. Page 11; Details, Page 16

Dearer cigarettes in France: Tobacco taxes in France rise by 15 per cent today in support of the government's anti-smoking campaign, but the move has led to price cutting among cigarette companies. Page 2

Sympathy for Virgin's demands: The UK government is sympathetic to Virgin Atlantic's demands for slots at London's Heathrow airport, but is determined not to become involved in the airline's battle with British Airways. Page 5

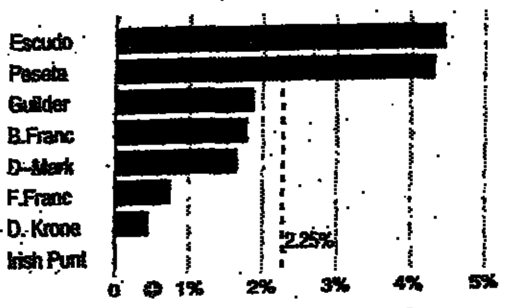
Storm hits California: Los Angeles residents fought floods and mudslides after a fierce storm raked southern California. Across the US-Mexican border in Tijuana, the storm brought the death toll to 19 after two weeks of steady rain inundated the city's shantytowns.

Warning on UK rate cuts: UK chancellor Norman Lamont signalled a cautious approach to further UK interest rate cuts, saying the government faced difficulties in keeping inflation in its target range. Page 5

Wild royal phone claims rejected: British Home Secretary Kenneth Clarke rejected "wild and extremely silly" allegations of security service involvement in the publication of royal telephone conversations – and ruled out a government investigation.

European Monetary System: Europe's exchange rate mechanism grid reveals how tensions inside the system eased last week. The D-Mark has lost some of the strength it had in the first week of the year, and its spread against the bottom-placed currency in the system has narrowed. The Danish krone, which was at the bottom of the grid early last week, moved up to second from last after the Danish prime minister's resignation failed to have any impact on the currency. The Irish punt is back in bottom position and concerns remain about whether it can avoid devaluation. Currencies, Page 23

EMS: Grid — January 15, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Observers held: Four United Nations peacekeepers were detained by radical Khmer Rouge guerrillas in north west Cambodia. The team, at least two of whose members were British, was patrolling the Sen river.

Yugoslav army back in action: The Yugoslav army shelled Moslem forces in Bosnia after they had fired into Serbia. It was the first acknowledged army involvement since May 19, when Bosnia withdrew from the republic. Page 2

£60,000 bounty: The Smith and Wesson revolver used to kill American outlaw Jesse James in 1882 is to be auctioned in Lewes, southern England, in April. It is expected to fetch more than £60,000 ($91,000).

Pentagon claims target is N-weapons facility ■ Iraqi jet shot down in no-fly zone

US hits Baghdad suburbs in cruise missile attack

By George Graham in Washington, James Whittington in Baghdad and Philip Stephens in London

PAGE 3
■ With cries of 'Down, Bush', Baghdad calls a celebration
■ Kuwait toughens funds law
■ Allies face border dilemma
PAGE 8
■ Can Clinton make the tough choices?

THE US last night renewed its attack on Iraqi military installations, launching cruise missiles from naval vessels in the Gulf aimed at what the Pentagon said was a nuclear weapons facility on the outskirts of Baghdad, the capital.

Mr Marlin Fitzwater, the White House spokesman, said the plant, 13 miles from the city centre, made components for Iraq's nuclear enrichment programme, in particular electromagnetic isotope separators. He said the action, in seeking to curb weapons of mass destruction, was justified under UN resolutions 687, 707 and 715.

He would not specify whether the allies had other targets, in their sights, but gave a day-by-day catalogue of Iraq's recent infringements of UN requirements, saying: "The goal of this operation is to seek compliance with UN resolutions. We don't have that yet."

The outcome of the operation was not immediately clear. A US military official said only: "There is an attack of Baghdad under way by the US against a single target ... in the suburbs of Baghdad related to its nuclear weapons development programme." No US aircraft were used in the raid, he added.

It followed a weekend of diplomatic and military clashes including the shooting down yesterday of an Iraqi fighter after an attack on aircraft from the US-led coalition patrolling a no-fly zone in northern Iraq.

As the coalition geared up for further military action, US defence officials appeared keen to launch a heavier and more sustained assault than last week's limited raid on Iraqi air defences in the southern no-fly zone, the purpose of which is to protect the Shia Arab minority.

Although the Bush administration insists that last Wednesday's raid was militarily and politically successful, it failed to destroy some of the targeted anti-aircraft missile batteries.

Pentagon planners had been understood to want to widen the range of targets this time to airfields and air defence sites outside the two no-fly zones. It was thought they might also target some of the chemical and biological weapons plants which are also earmarked for destruction under UN sanctions. But a strike on the suburbs of Baghdad itself, with the consequent risk to civilian lives, came as a surprise.

Earlier, in the south, an Iraqi was killed after entering Kuwaiti territory and opening fire on Kuwaiti guards. Iraq also continued to place conditions on flights into the country by UN weapons inspectors. The UN rejected these conditions as unacceptable.

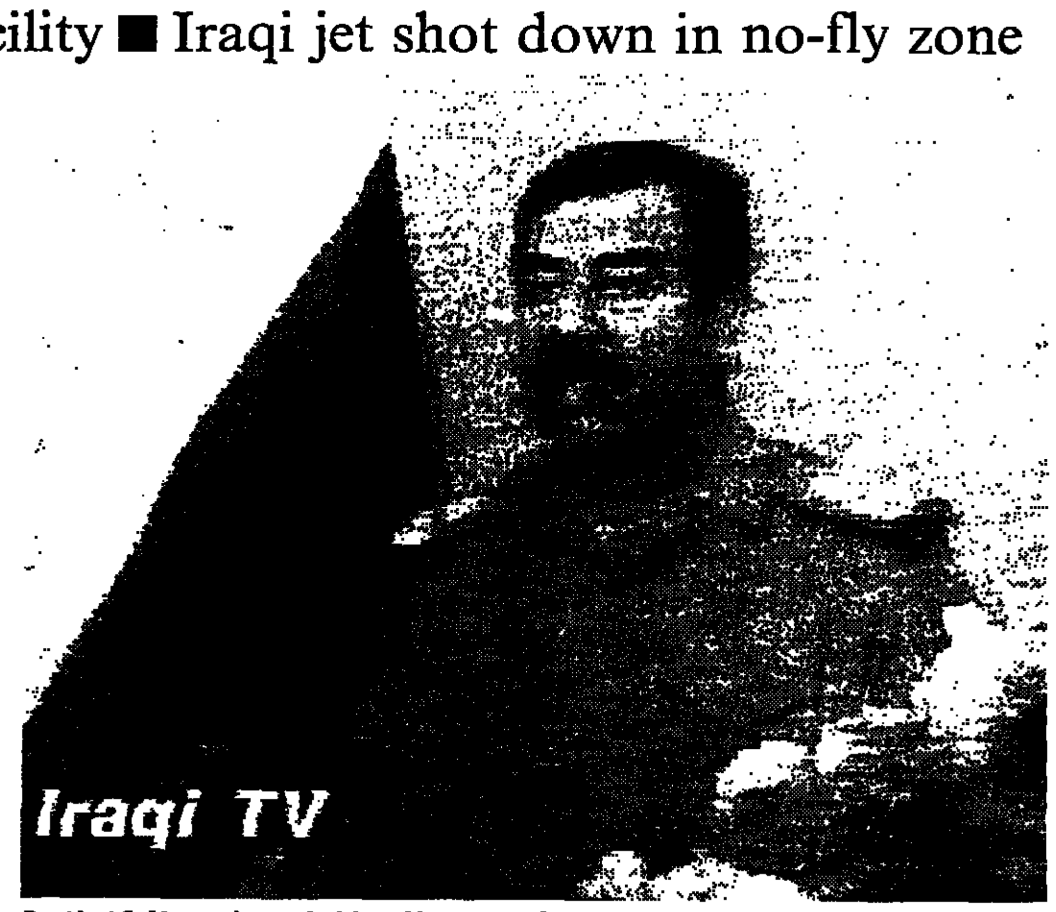
Mr Fitzwater, speaking before the launch of the Tomahawk cruise missiles, said Iraq had opened fire with anti-aircraft artillery and missiles on coalition aircraft, and also sent planes into the northern no-fly zone, which was imposed by the allies to prevent Iraqi President Saddam Hussein attacking the Kurdish population of the region.

Mr Fitzwater said a US F-16 fighter shot down a "threatening" Iraqi MiG inside the northern no-fly zone. Iraqi officials later said the MiG had been outside the zone.

"There is a whole pattern of behaviour just in the last few hours that would seem to indicate that he is determined to create a confrontation in the closing days of the Bush administration," said Mr Richard Cheney, the defence secretary.

In a speech yesterday marking the second anniversary of the start of the Gulf war, Mr Saddam underlined Iraq's determination to resist the no-fly zones. But he spent much of the speech attacking Kuwait's ruling al-Sabah family.

He called on Kuwaitis to remove their rulers who had "linked their destiny to the interests of foreign forces" and, in what was interpreted by some Iraqis as renewed claims over Kuwaiti territory, he described the coalition's role in the Gulf war as "returning the suitcase (Kuwait) from the real owners to a thief ... who has separated a people from their own origins and history."



President Saddam makes a television address on Sunday, second anniversary of the start of the Gulf War

Miyazawa sets out new Asian strategy

By Victor Mallet in Bangkok

MR KIICHI Miyazawa, the Japanese prime minister, has promised to promote democracy, human rights and the environment as part of a new strategy for Japan in Asia.

In a much-heralded speech in Bangkok at the weekend during a South-East Asian tour, he also announced plans for an international forum to co-ordinate the development of Indo-China.

He indicated, though, that Japan's approach would remain pragmatic and be unlikely to offend governments of whatever political complexion.

Mr Miyazawa singled out four policies important for Japan and the region: a dialogue on security; enhancing economic "openness" and growth; the promotion of democracy, human rights and environmentalism; and co-operation on Indo-China.

"Economically, the region continues to enjoy dynamic growth," he said. "This wave of dynamism is now reaching China's coastal regions and Indo-China ... This Asia-Pacific region may indeed be acquiring a great potential to contribute politically and economically to the peace and prosperity of the world."

The so-called "Miyazawa doctrine", in a speech entitled "The new area of the Asia-Pacific and Japan-Asean co-operation", is designed to solidify Japan's relations with its Asian neighbours without antagonising the west, but it contained few surprises for his south east Asian audience.

Referring obliquely to Japan's brutal occupation of some Asian countries during World War Two, Mr Miyazawa reassured his listeners that "Japan shall never again become a military power" and reiterated Japanese support for the continuing US military presence as a stabilising force in the Pacific.

He also hinted that action might be taken on the vexed issue of Japanese textbooks which gloss over Japanese war

Continued on Page 10

BA plans revised partnership with USAir

By Neil Buckley in London

BRITISH Airways is expected to announce a revised partnership deal this week with USAir, the sixth largest US carrier.

The companies may unveil the deal on Thursday or Friday, within days of the inauguration of US President Bill Clinton, who criticised the original partnership proposal during his campaign.

That agreement – blocked in December by a US-UK government dispute over liberalising air services between the two countries – would have given BA a 44 per cent stake in USAir for $750m.

The new deal would give British Airwaysabout 20 per cent, for an investment of $340m, and voting rights of about 20 per cent. BA is believed to have dropped its demand for a right of veto on important spending decisions – one of the factors which hindered approval of the original agreement.

BA, which last week apologised for waging a "dirty tricks" campaign against Virgin Atlantic and paid out £3.6m ($5.47m) in damages and legal costs, confirmed yesterday that discussions were continuing with USAir on some form of alliance. It refused to say whether any agreement was imminent.

The new deal stands a better chance of being cleared by the US authorities than the earlier, more ambitious proposal, although the big US carriers may well continue their campaign against it.

American, United, and Delta, put intense pressure on the US government to insist that the UK opened up London's Heathrow Airport to more US airline services in return for approving the original BA/USAir deal.

United said yesterday that it could not comment on the new BA deal without knowing the details. It said it saw any agreement between BA and USAir as an opportunity for the UK and US to develop more liberal open skies policies.

Although the British Airways stake will be smaller than originally envisaged, the two companies will become as closely integrated as possible. They will carry out joint marketing, emphasising to travellers and travel agents that they are part of the same system.

BA sees the alliance as the means to take advantage of deregulating markets in Europe and across the Atlantic, giving it unrivalled access to the US east coast compared with other European competitors.

It also fits with USAir's strategy of adding international services from its US hubs and developing strong partnerships with international carriers.

A combined BA and USAir could sell through tickets to 204 US cities, and carry more passengers than any other airline, although it would still be smaller than US airlines American and United on the usual measure of airline size – revenue passenger kilometres – which takes into account distance travelled.

Virgin pushes its case, Page 5

Court decision to speed Italy reforms

By Robert Graham in Rome

REFORM of Italy's unwieldy electoral system will be accelerated following an historic decision by the constitutional court over the weekend.

On Saturday the court approved 10 referendums on various aspects of state reform. The most important concerns the proposed abolition of the 45-year-old system of proportional representation for electing the senate and local councils in favour of a first-past-the-post system.

The main drawback of Italy's existing electoral system is the way it encourages the fragmentation of parties and produces unstable coalition governments.

The referendums must be held between April 18 and June 13. They can be postponed only if parliament agrees legislation similar in spirit to that contained in the 10 proposals. In any event, new legislation changing the electoral system is almost certain in the first half of the year.

A 60-strong commission of the two houses of parliament has been discussing institutional reform, especially changes in the electoral system, since October. But it has been bogged down by a lack of consensus among the main parties. The ruling Christian Democrats and Socialists have opposed the removal of proportional representation.

Political commentators said yesterday that unless the parties made an effort to achieve a consensus, parliament would be unable to agree on new legislation in time to head off the referendums. They also predicted that the referendums would be easily carried. The last referendum, held in June 1991 to abolish the system of multi-preference votes, was overwhelmingly endorsed.

"Italians finally have in their hands the means to build a new republic," said a jubilant Mr Mario Segni, the Christian Democrat leader of the movement backing reform of the electoral system via referendum. Mr Segni has been co-opted on to the joint parliamentary institutional reform commission and will now become a significant voice.

The referendums are also likely to affect the nature of new alliances as the Christian Democrats struggle to renew themselves and the Socialists seek to stay together after the eclipse of Mr Bettino Craxi, their leader, in the Milan corruption scandal. Both party leaderships have been wary of the referendum movement and have been anxious to control change through parliament.

Under the proposed new system, 238 seats would be elected by a first-past-the-post system and 77 would still be voted in by the existing system of proportional representation.

CONTENTS

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr15
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.20
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Syria	S£50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00

Belgian support for mini-Emu

BELGIUM'S prime minister, European commissioner and central bank governor say they favour monetary union with fewer European Community states if the Maastricht treaty is not ratified by all 12 members, Reuter reports from Antwerp.

"In order to restore international political stability, it is important all countries ratify Maastricht. If some cannot do this, the others must carry on alone," Commissioner Karel van Miert said on Saturday at a public debate.

Prime Minister Jean-Luc Dehaene, due to take over the EC's rotating six-month presidency in July, agreed. "One of the biggest challenges of the Belgian EC presidency will be whether or not we manage to have all 12 countries ratify Maastricht or not," he said.

"But whatever the legal possibilities of the treaty are, the political will should be there to go ahead with less than 12," Mr Dehaene said.

Britain and Denmark have not yet ratified the treaty.

Central bank governor Alfons Verplaetse said: "If in 1995-96 it becomes clear that only a few countries have met the Maastricht treaty's economic convergence criteria, let them form a central bank together."

Mr Van Miert said monetary integration with 12 countries could not work by 1996. "We have to start with a hard core of countries, it is the only realistic way out."

SDP leader Rasmussen battles for deal in weekend negotiations on replacing Schlüter administration

Danish government talks resume today

By Hilary Barnes in Copenhagen and Agencies

MR Poul Nyrup Rasmussen, leader of Denmark's opposition Social Democratic party, struggled to make progress in weekend negotiations aimed at forming a government to replace the Conservative administration of Mr Poul Schlüter, who quit last week.

Mr Rasmussen will resume talks today, seeking either a minority SDP government or a coalition of the SDP and the Radical Liberal party, a small centre party.

Mr Schlüter, prime minister since 1982, resigned last Thursday when a judicial inquiry found he had misled the Folketing (parliament) in 1989 over the "Tamilgate" scandal, in which Mr Erik Ninn-Hansen, the former minister of justice, illegally ordered civil servants to delay issuing entry visas to the wives and children of Tamil refugees from Sri Lanka.

There appears to be majority support among the parties in the Folketing for impeachment proceedings against Mr Ninn-Hansen. If such proceedings are instituted, it will be for the first time since 1910. An impeachment trial is conducted by the 15 judges of the High Court, who sit together with 15 persons appointed by the Folketing.

Tamilgate has not led to an increase in the popularity of the SDP, according to opinion polls. A poll published in Jyllands Posten yesterday showed the SDP sliding by four points to 33.4 per cent from 37.4 per cent in the 1990 election. The chief beneficiary of the scandal, which has seriously damaged the Conservative party, is the Liberal party of Mr Uffe Ellemann-Jensen, foreign minister, which went ahead to 23.9 per cent compared with 15.8 per cent in the last election.

The possibility of an SDP government has been accepted with equanimity by the financial markets.

One reason is that the party's economic policy spokesman, Mr Mogens Lykketoft, has said that an SDP government would continue to pursue tight public spending policies and would maintain the fixed exchange rate policy through continued participation in the European exchange rate mechanism.

Yugoslav army re-enters the fighting in Bosnia

THE Yugoslav army rejoined the war in Bosnia at the weekend, shelling Moslem forces in Bosnia after they had fired across the border into Serbia, writes Laura Silber in Belgrade.

It was the first time the Yugoslav army has acknowledged involvement since May 19 when Bosnia formally withdrew from the neighbouring republic.

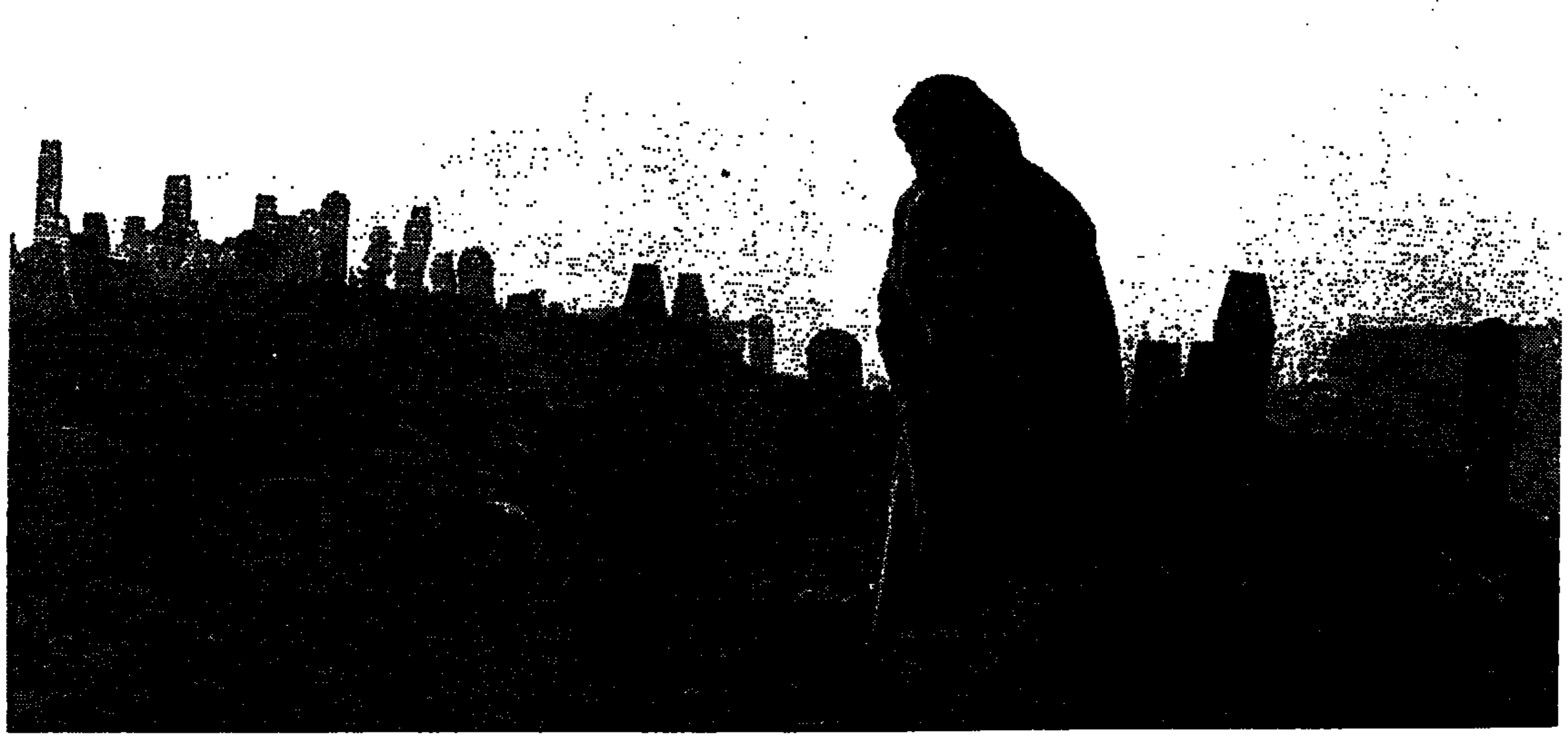
However, eyewitnesses have repeatedly reported Yugoslav army shelling across the frontier after its withdrawal from Bosnia.

The artillery exchange coincided with fierce clashes around Skelani, a village on the Bosnia-Serbia frontier.

Peace talks are due to resume in Geneva this week.

● A UN relief convoy finally arrived yesterday at the besieged Moslem enclave of Zepa, where inhabitants are reported to be dying from starvation and cold, Reuter adds.

● Right: surrounded by new grave markers in a Sarajevo cemetery yesterday, a woman mourns a dead relative.



German waste disposal industry under fire

By Quentin Peel in Bonn

JUST a few weeks ago, Germany's flourishing waste disposal industry was reported to be one of only two sectors in the entire economy showing any optimism about prospects for the coming year.

Today, the industry is under attack from two directions.

The feisty Federal Cartel Office in Berlin says it is opening proceedings against the Duales System Deutschland (DSD), the nationwide rubbish recycling venture, for seeking to extend its monopoly position from consumer packaging to the business sector.

At the same time a leading parliamentarian has charged that the big electricity utilities, led by RWE and VEW, are buying up small waste-disposal contractors, and rapidly bringing the industry under their control by the back door.

Caught in the middle are the 16 Länder governments who, it transpires, have actually been encouraging the monopoly process. It was they who asked DSD to extend its operations from house-to-house collection of packaging, into the small business sector.

The cartel office says it has long been concerned about the monopoly position of DSD in collecting and recycling consumer packaging. However, the monopoly is effectively written into the packaging law passed by the Bundestag last year, so the cartel office has been forced to accept it.

Caught in the middle are the 16 Länder

Since December, however, DSD has moved into the collection of packaging from small businesses, hotels, restaurants and hospitals, which are not covered by the packaging law. That is now the subject of the cartel action.

DSD, covering more than 600 of Germany's largest consumer manufacturers, packaging companies and packers, runs the "green point" system to organise recycling of packaging. Companies pay a fee to print a green point on their cartons and containers, which are then eligible to be collected and recycled. Companies which are not signed on to the system are required to arrange for the disposal or recycling of their packaging themselves.

"We tolerate the DSD monopoly in collecting household packaging, because the legislature decided the system would not work otherwise," Mr Jürgen Kiecker of the cartel office said. "We are not prepared to tolerate them moving into the business area."

The other charge against the industry has been raised by Mr Reinhard Göhner, chairman of the constitutional commission of Chancellor Helmut Kohl's Christian Democrats. He summoned a press conference to accuse RWE, the Essen-based semi-state electricity utility, of leading a move to effectively re-nationalise the waste disposal industry, sold off by local authorities in the 1970s.

He said that RWE had bought 70 such contractors in the last four years.

The cartel office has also confirmed that it is concerned at the rapid concentration of contractors collecting and processing waste on behalf of DSD. But the degree of concentration had not, so far, undermined competition in the industry.

"We are watching the situation closely," Mr Kiecker said.

Trying to sell Kiev reform

Edward Balls and **Chrystia Freeland** on opposition to the market

WHILE Ukrainian officials have spent the past week embroiled in international negotiations over oil, foreign debt and nuclear weapons, opposition to market-oriented reform proposals has begun to emerge.

Deputy prime minister Viktor Pynzenyk is now rewriting his reform programme after conservatives in the cabinet gave his draft proposals a frosty reception while he was away in Brussels this month seeking European Community aid. At the same time, hardline ex-Communists in parliament are rumoured to be organising an attempt to oust the reformist chairman of parliament, Mr Ivan Pliushch.

Mr Pynzenyk's latest draft is scheduled to come before the full cabinet for approval this week before being presented to parliament.

The programme plans to cut inflation from over 50 per cent a month now to 3 or 4 per cent a month by the end of the year. To do that, Mr Pynzenyk wants to bring the budget deficit down to 6 per cent of gross domestic product this year, from 1992's run-away deficit of 36 per cent of GDP.

Prime Minister Leonid Kuchma insists he remained committed to this reformist course. "I cannot imagine doing anything other than continuing with the reform programme," he said. "There is no other path."

But Mr Kuchma said the reforms had to be sold carefully. Cuts in social welfare spending, which are envisaged as part of the effort to balance the budget, would go ahead. But reformers must speak of "restructuring" the state health care, not cutting it.

"We cannot write that we will spend less on health, so we should call it restructuring," Mr Kuchma said. "It is the same thing but expressed in a different way. This does not mean that we are backing down from the programme."

Mr Kuchma has asked Mr Pynzenyk to present the reforms in a politically palatable form.

Yet his fears about the political acceptability of the proposals have cast doubt among western observers and Ukrainian economists on his willingness to take the tough decisions that will be needed to control inflation.

Since coming to office in October, Mr Kuchma has failed to rein in credit emission. Central bank officials say that in the last two months of 1992 there was a net emission of Rbs100bn, bringing the monthly inflation rate to 50 per cent in December. Prices rose by 2,500 per cent over the whole year. Ukraine's coupon is one of the few currencies in the world to have depreciated against the Russian rouble since Ukraine left the rouble zone in November.

When the government has taken tough decisions, it has tended to bow to pressure and watered down its actions.

Its decision to cut food subsidies and raise state prices, which came into effect on December 25, caused many food prices to rise by 300 per cent overnight. But when several thousand of workers from the elite Arsenal arms factory marched to the parliament to protest, the government softened the blow by doubling the minimum wage.

The government has made some progress in its bid to weaken the power of the state bureaucracy by privatising the agriculture sector. By giving plots of land to its private citizens it has created 13m private smallholders and production rose by 50 per cent last year. "These garden plots are the main source of food for the cities," says Mr Pynzenyk.

Mr Pynzenyk says progress in microeconomic reforms, including small-scale privatisation in agriculture and the retail sector, are the key to the programme's success: "We are opposed to the view that we should have stabilisation first and then structural reform," he says.

Mr Daniel Kaufmann, chief of the World Bank mission to Ukraine, has urged Kiev's reformers to speed ahead with structural reforms. "Financial macro-economic stability cannot be attained without reform at the micro-level, particularly enterprise reform and privatisation in industry and agriculture," he says.

Western financial support for Ukrainian reforms does not appear imminent, especially because of US worries over Ukraine's hesitation to surrender its nuclear weapons.

While Mr Kuchma does not expect American aid to make things better, he does not think the US can make things worse. "America is threatening us over the nuclear weapons," he says. "They say that if we do not give them up they will take away their aid. But when they say this, I look around and I say to them, where is this aid?"

A bottom-up approach, Page 4

Venture capital fund for Ukraine

A venture capital fund, with private investments and a $3.5m (£2.3m) contribution from the European Bank for Reconstruction and Development, is being established in Ukraine, writes Chrystia Freeland in Kiev.

Mr George Yurchyshyn, a former senior vice president of the Bank of Boston who is now based in Kiev as director of the fund, is optimistic the fund will reach its target of $10m within the next few months and says there may be enough investor interest to establish a second fund. He expects the fund to give a return on investments within seven to 10 years.

The fund will make small investments in a variety of private businesses with proven track records, rather than in start-up projects. All its investments are made in hard currency and Ukrainian foreign investment law allows the fund to convert coupon profits back into dollars.

Forecast results of Ukraine's draft economic reform programme

	1992	Q1 93	Q2 93	Q3 93	Q4 93	1994
Budget deficit as % of GNP	36	10	8	7	6	4
Monthly inflation (%)	*2,500	50	10	7	3	2
Growth in private sector production (%)	10	10	15	20	30	40

* Annual

France raises tobacco tax

By William Dawkins in Paris

TOBACCO taxes in France rise by 15 per cent today as part of the government's anti-smoking drive, but the move has prompted a fresh round of price cutting among cigarette companies.

R.J. Reynolds, the US tobacco group, is to cut the retail price of its Winston brand in France by nearly 16 per cent to FFr10 (£1.21) for a packet of 20, matching the price for blond Gauloises made by Seita, the state-owned tobacco group.

While cigarette companies are free to set their own prices the move risks undermining government attempts to curb smoking, following lax application of a recent law to ban smoking in public buildings. A second tobacco tax rise, of 15 per cent, is due on May 24.

Other brands, including Seita-owned ones, are to absorb some of the increases in their profit margins. Blonde Gauloises, for example, will go up by only 9 per cent, although higher-tar dark Gauloises will rise by 17 per cent. Philip Morris, another US tobacco group, has said it will increase its prices by an average 9.5 per cent.

R.J. Reynolds said it was attempting to close the price gap between its premium brands and cheaper French competition rather than trying to spark a price war.

Single market puts drugs on roundabout

Paul Abrahams on parallel trade and distortion in the Community

THE EUROPEAN MARKET

THE European Community's single market has generated some curious trade distortions, none more so than one in the drugs industry.

The requirement for the free movement of goods has led to a situation in which UK-produced medicines, for example, are exported from the UK to Greece and imported back to Britain by wholesalers making money through the drugs' peculiar journey.

The reason for parallel trade, as the practice is known, is that drug prices vary widely in EC member states. Drugs in France are, for example, nearly half the price of those in the UK, according to the German federation of pharmacists.

Parallel trade works as follows: medicines originating in countries where prices are high, such as Germany, the Netherlands and the UK, are exported to EC states, including those where prices are low, such as France and Greece. Wholesalers in the low-price countries then buy the medicines at the prevailing low prices and reimport them into the originating countries to compete with higher-priced local brands.

Price differences between EC states are not unusual. For example, European car manufacturers commonly set different prices for similar vehicles in different countries.

But whereas automotive makers are responsible for setting vehicle prices throughout the EC, pharmaceuticals groups have little control over prices. These are set by national governments. Some, with strong indigenous drugs industries, have an interest in setting high prices, while others, anxious to control health-care costs, set lower prices.

Efforts by the European Commission to harmonise drug prices have been abandoned for the moment, admitted Sir Leon Brittan, Commission vice-president formerly responsible for competition, last month.

Widespread pharmaceutical price regulation together with free movement of goods, have, in effect, created distortion of trade. The situation can be exacerbated by exchange rate fluctuations.

The pharmaceutical industry hates parallel importing because its producers lose revenue. "It's really annoying. Middle-men who contribute nothing to the health-care system are making money, which is lost to the pharmaceuticals sector," says Mr Hakan Aström, chief executive of Kabi Pharmacia, the Swedish drugs group.

The danger of such trade, according to the Association of the British Pharmaceutical Industry, is clear. Although the public has an interest in cheap medicines, it also has an interest in the ability of the drugs industry to create innovative products.

The public is clamouring for treatments for currently incurable diseases such as Aids and Alzheimer's. The trade could inflict serious damage on research-based pharmaceuticals companies, inhibiting their ability to invest in new drugs, the ABPI argues.

What is the scale of the problem? The drugs targeted by parallel importers are those with international prices that differ by more than 20 per cent, according to Mr Paul Balcombe, chairman of Spectrum group, the London-based drug importers. He estimates about 120 products are parallel-imported by his company into the UK. There are about 3,000 products on the market.

Six of the world's seven top-traded drugs were parallel traded in the EC, according to a recent report* for the UK-based Institute of Economic Affairs: Glaxo's anti-ulcerant Zantac, Bristol-Myers Squibb's hypertension treatment Capoten, SmithKline Beecham's anti-ulcerant Tagamet, ICI's hypertension medicine Tenormin, Ciba-Geigy's angina product Voltaren, and Bayer's hypertension drug Adalat.

As much as 30 per cent of UK sales of Zantac, Glaxo's best-selling drug, is reimported, says Mr Martyn Postle, consultant at Coopers & Lybrand. He reckons parallel trade is a big problem in the Netherlands and is becoming a problem in Germany.

The consequence is that sales of parallel-imported medicines in 1990 were between £250m and £305m, according to the Institute of Economic Affairs report. This suggests the problem is small, representing only 2 per cent of the EC's prescription sales.

The industry's fear is that parallel trade in medicines could increase, leading to a significant collapse in revenues. The Danish government has actively encouraged parallel trade over the last two years, for example.

However, although regulations designed to remove impediments to parallel trade were implemented on January 1 this year, its long-term future is uncertain.

In the short term, UK and Italian parallel importers were badly hit by the devaluation of sterling, which wiped out nearly 15 per cent of their gross margin. Mr Balcombe at Spectrum believes some will have to cease trading.

In the longer term, Mr Balcombe concedes the drugs groups may have found an effective strategy to counter parallel trade. Although pharmaceutical companies are incapable of converging prices for existing prices, they have proved increasingly adept at harmonising prices on new drugs. Glaxo, for example, has negotiated, with some difficulty, a common price throughout the EC for its new potential blockbuster migraine treatment Imigran.

Mr Balcombe reckons that other drugs groups will follow Glaxo's example, with the result that parallel trade – in pharmaceuticals at least – will fade and die, ending one of the quirkier consequences of the single market.

**Undermining Innovation: Parallel Trade in Prescription Medicines, by M.L. Burstall and I.S.T. Senior, Institute of Economic Affairs Health and Welfare Unit, 2, Lord North Street, London SW1P 3LB, 071 799 37 45, £12.95.*

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هكذا من الأصل

German waste disposal industry under fire

NEWS: INTERNATIONAL

Iraqis hail Saddam victor of the Mother of all Battles, while tension grows along dividing line with Kuwait

Allies face border dilemma

By Mark Nicholson in Kuwait City

MAJOR-GEN Robert Frix, commander of the US task force in Kuwait, yesterday denied his 1,100 troops would have any role in policing Kuwait's northern border with Iraq. But as yesterday's reported killing of an Iraqi "infiltrator" by Kuwaiti police showed, the newly demarcated frontier could prove more than the 249 unarmed UN observers patrolling the border can fully control.

Details of yesterday's skirmish remain unclear, but the Kuwait interior ministry reported three "infiltrators" had been accosted by Kuwaiti border police. One was killed in subsequent shooting, one arrested, and one escaped. A western official said the incident occurred at Umm Qasr by the border, and the three Iraqis were policemen.

The US troops have no present role on the border since it lies in a demilitarised zone extending 10km into Iraq and 5km into Kuwait. Only 45 Danish troops in the UN Iraq-Kuwait Observer Mission (Unikom) are permitted side-arms, and their job is to guard Unikom's posts in Doha and at Umm Qasr.

Yesterday's shooting, not the first across this border over the past year, shows Unikom is poorly placed to enforce a border the UN demarcated in November last year but which Iraq has refused to acknowledge. Formally, Unikom officers are there only to report violations of the Gulf War ceasefire pact.

Capt Joe Gaffney, violations officer, says these have averaged one a day since the end of the war, mostly through Iraqi or Kuwaiti police bringing automatic weapons, rather than the side-arms they are permitted, into the area, or from military overflights.

Unikom considers the four Iraqi incursions as serious violations, but they do so largely because Iraq failed to meet the procedures laid down for them to retrieve goods and structures they had been permitted to retrieve, with the notable exception of the three Silkworm missiles several hundred Iraqis took from a bunker at Umm Qasr.

Unikom's officers view more seriously Iraq's persistent refusal to move six police posts from what is now Kuwaiti land, under the new demarcation which has moved the frontier between 100m and 800m north into what Iraq regarded as its territory.

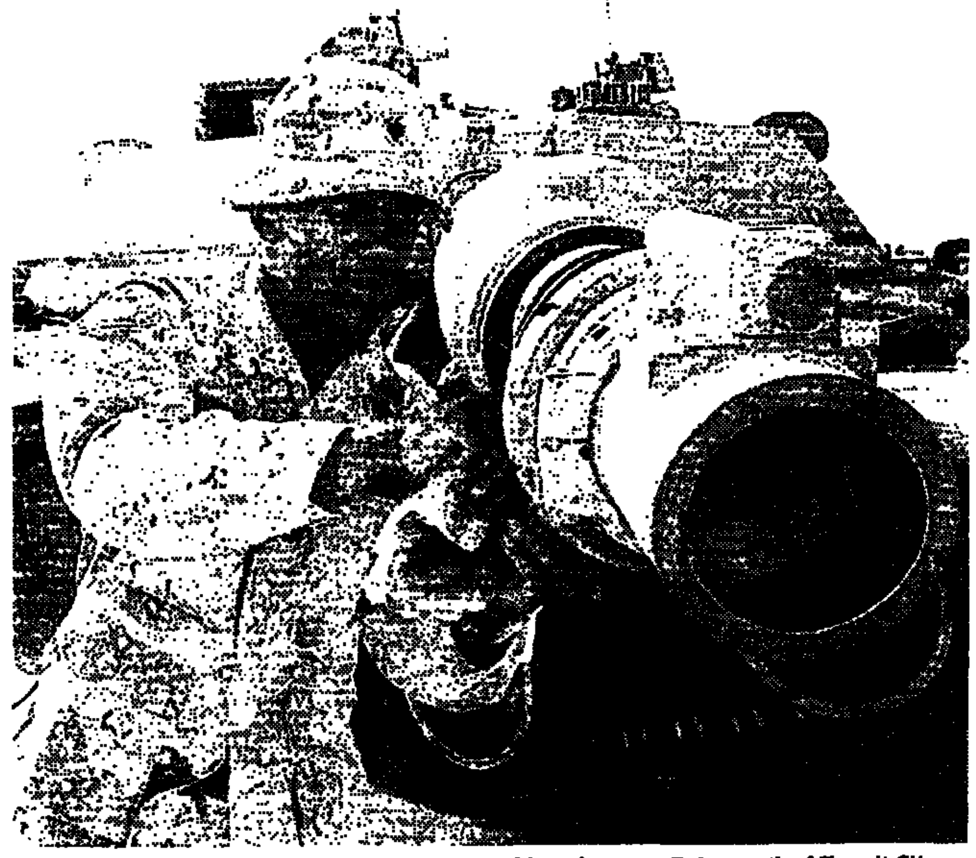
The six posts, there since the end of the Gulf War and manned by at least 46 Iraqi police, lie in a line stretching west from Umm Qasr along the northern stretch of Kuwait's 240km border with its hostile neighbour.

Mr Tariq Aziz, Iraq's deputy prime minister, described the continued manning of the posts as a "minor" matter to be worked out between Iraq and the UN. But the police show no sign of moving. If they were to move north, it would amount to Iraq's first acknowledgment of the legitimacy of the UN-designated border. If the six police buildings stay, Unikom can do little directly to move them.

Maj Gen Frix said his troops, who yesterday began moving their tanks, artillery and fighting vehicles into the north-western Kuwaiti desert, are there to deal only with anything which "threatens our forces or the Kuwaitis". This, he said, would be "major Iraqi troop movements in our direction". Problems in the demilitarized zone, were, he said, are "quite frankly" above us" - meaning a matter for the UN Security Council.

If the UN and the allies are determined to move the police posts, and Iraq remains equally determined they should stay, the Security Council may have to study changing Unikom's mandate in Kuwait and consider turning the blue berets from observers into peacekeepers or even peacemakers.

Meanwhile, a line of Kuwaiti tanks has dug in south of the demilitarised zone on full alert. By tomorrow 1,100 troops from the US 1st Cavalry will be conducting manoeuvres behind them.



READY TO RETALIATE: A US corporal cleans a tank's main gun at Doha, north of Kuwait City

Israelis resist plea for deportees

By Hugh Carnegy in Jerusalem

MR AMR MOUSSA, Egyptian foreign minister, yesterday met Israeli leaders in Jerusalem in an attempt to remove the threat to Middle East peace talks posed by Israel's expulsion of 415 Palestinians to Lebanon, but gave little indication of a breakthrough.

"We have discussed ideas and that is all," he said after meeting Mr Yitzhak Rabin, the prime minister.

Israel and all the Arab parties to the peace talks want them to resume, but Mr Rabin has so far refused to reverse last month's expulsions which the Palestinians say is a condition for their return to the table.

Israel is also concerned to deflect Arab pressure for further UN action to enforce Security Council Resolution 799 calling for the return of the deportees, which has escalated since US-led air strikes resumed on Iraq for its non-compliance with UN resolutions.

Mr Shimon Peres, foreign minister, told the BBC yesterday the exiles' two-year expulsion term could be "shortened dramatically" if they renounced terrorism. "We are open to any other suggestions," he said. But after meeting Mr Moussa, Mr Rabin reiterated his determination to stick to the expulsion decision.

The government argued in the Israeli High Court yesterday that reversal of the decision would be "a mortal blow to the security establishment".

With cries of 'Down, Bush', Baghdad calls a celebration

By James Whittington in Baghdad

WITH drums beating, torches burning and chants of "Down, Bush" and "Long Live Saddam", thousands of Iraqis took to the streets of Baghdad yesterday in well-orchestrated demonstrations to mark the second anniversary of the start of the Gulf War.

One of those on the march to the United Nations Development Programme building, Mr Starred Husseini, 30, who said he had fought in the war, insisted the anniversary was a cause for celebration in view of the impressive reconstruction programme carried out by Iraq.

"The people are happy. They are proud they have been successful in rebuilding Iraq. We have survived everything thrown at us," he said.

At 8am, all traffic in Baghdad came to a standstill for five minutes in memory of the war dead, and schools and universities received lectures on the US-led military "aggression" against Iraq.

Iraqi newspapers appeared with special celebratory issues. Carrying large pictures of their leader and defiant headlines such as "All allegiance to Saddam Hussein, Hero of the Mother of All Battles" and "The aggressors have been defeated".

They all ran President Saddam's speech to the nation on the first day of the war, along with pictures and articles on the reconstruction. The newspaper Al Thawra said in its editorial that "Iraqis are launching their counter-attack with a massive drive to reconstruct, in record time, all things damaged by the aggressors."

The reconstruction theme was also played up by government ministries, which announced the opening of new industrial and public service projects. A fertiliser plant, new electricity generators and super-grid stations, a government foodstuffs sales department, an ammonia plant and an air conditioner factory were all inaugurated by various officials yesterday.

Mr Asama Abdul Razaq al Hitti, oil minister, announced oil production would reach 3m barrels a day by the end of this year due to the finding of new reserves and plans to drill 5,000-10,000 new oil wells. In 1989, output was 2.79m b/d. Iraq was ready to begin exporting oil with renewed vigour as soon as the embargo was lifted, the minister added.

With only a few days left of Mr George Bush's presidency and President Saddam firmly in power, the atmosphere was one of victory for the Iraqi leader. Many Iraqis see the current crisis between the western allies and Iraq as a last-ditch attempt by Mr Bush to finish work left unfinished during the Gulf War, and the celebrations are likely to last until Mr Bill Clinton's inauguration on Wednesday.

Mr Tariq Aziz, deputy prime minister, said Iraq "would like to see the personal vendetta policy come to an end. That will be enough to create an objective for a special atmosphere to discuss all the questions between the two sides." He called on the incoming US administration to "review Iraq's situation in a non-personal manner."

Kuwait toughens funds law

By Mark Nicholson in Kuwait City

KUWAIT'S National Assembly is tomorrow expected to approve a law to enhance public scrutiny of the Gulf state's overseas investments and considerably toughen the punishment for individuals found guilty of misusing public funds.

The law would be the strongest yet promoted by the 60-seat assembly, which was elected in last October's general elections, and a clear signal by the opposition-dominated parliament of its determination to force more open accountability for Kuwait's remaining overseas wealth.

The parliament's move follows widespread concern in the Gulf state following the revelations last year of billions of dollars of losses from the Spanish holdings of the London-based Kuwait Investment Office and evidence of possible improprieties.

The bill is due for a second reading during tomorrow's weekly sitting of the assembly but would become law only after promulgation by the emir, Sheikh Jaber al-Sabah.

The legislation would require all state companies, and those in which the Kuwait government holds a stake of at least 25 per cent, to report to the government's auditors all changes in investments within as little as 10 days of the transaction.

The auditors would also be required to report on all state investment activities to the assembly every six months.

Delay in reporting investments would be liable to prosecution, while anyone found guilty of misusing public funds would face a sentence of life imprisonment, up from a previous maximum of 10 years.

The move, which diplomats in Kuwait City expect to win the backing of the emir himself, is aimed at addressing a popular feeling in Kuwait that the country's previously substantial overseas investments have been managed with too much secrecy and too little accountability.

Before the Gulf war, the KIO handled a portfolio worth an estimated \$100bn (£65.7bn), though this is believed to have fallen to nearer \$30bn or less after sales and drawings to help pay for Kuwait's substantial post-war costs.

Both the government, through the prosecutor-general, and the assembly, through its own parliamentary committee, are investigating the KIO's Spanish and other investments.

It remains unclear whether the proposed law would permit retroactive prosecution for any individuals found to have been guilty of misuse or misappropriation of the KIO's funds, the bulk of which were financed out of a portion of Kuwait's oil revenues.

Neither is it clear whether the law would apply to two officials of the Kuwait Oil Tanker Company who were charged earlier this month with conducting illegal transactions.

Rao reshapes cabinet to silence critics

By Stefan Wagstyl in New Delhi

MR P.V. Narasimha Rao, the Indian prime minister, began to reshuffle his government at the weekend in an attempt to bolster his authority following criticism of his handling of the Ayodhya mosque crisis.

Mr Rao is dismissing 14 of his 59-member Council of Ministers in the biggest mid-term reshuffle for more than a decade. Acting with uncharacteristic flamboyance, he disclosed his plan on Saturday night at a banquet – at which ministers were suddenly presented with resignation letters and asked to sign them on the spot.

The prime minister was not expected to disclose the names of sacked ministers until today. However, the content of the reshuffle is expected to be considerably less dramatic than the manner in which it is being done; senior cabinet members likely to retain their portfolios include Mr Manmohan Singh, the finance minister and the chief architect of India's wide-ranging economic reform programme.

The reshuffle is not, as opposition MPs were quick to point out, being accompanied by any policy announcements.

By late last night the prime minister had not offered any new initiatives to heal the rifts caused by the inter-religious violence which has left at least 1,800 dead since Hindu militants tore down the mosque in the northern town of Ayodhya on December 6. About 600 people have died in the last two weeks in Bombay in an upsurge of violence, which was only brought under control by troops.

The Bharatiya Janata party, the militant Hindu opposition whose supporters demolished the Ayodhya mosque, said the reshuffle was merely putting "old wine into a new bottle".

Indian prime ministers frequently reshuffle ministerial jobs, occasionally to improve policy-making in a particular area but more often for party political reasons. The ruling Congress (I) party is composed of different regional, economic and social interest groups, with competing claims for power which the prime minister must try to balance.

● An economic report published at the weekend brought the prime minister some good news.

The Reserve Bank of India, the central bank, forecast in a report that the economy could grow by 4 per cent in the year to June 1993 – about 0.5 percentage points above the government's target. The central bank forecast a 2 per cent increase in agricultural output and 4-5 per cent in industry.

MR John Major, Britain's prime minister, is to head a delegation of leading British businessmen to India next week, highlighting his determination to reinvigorate the government's relationship with UK industry, write Ralph Atkins and Alexander Nicoll.

The 17-strong team travelling with the prime minister will include Mr Howard Davies, director general of the Confederation of British Industry, Mr Terry Harrison, chief executive of Rolls-Royce, and Mr Dick Evans, chief executive of British Aerospace.

High on Mr Major's agenda will be a deal British Aerospace hopes to clinch selling Hawk jet trainers to India's air force.

The businessmen will meet ministers and businessmen in Delhi and Bombay.

Indian banking executives quit

By R C Murthy in Bombay and Stefan Wagstyl

FOUR senior executives in India of Citibank, the US bank allegedly involved in the Rs35bn (£782m) Bombay securities market scandal, have resigned following scrutiny of the bank's role in the affair.

The resignations come after wide-ranging probes of Citibank and other institutions involved in the scandal by a parliamentary committee, the central bank, and the US Federal Reserve Board, the securities watchdog which sent a team to Bombay last week.

The four men leaving the bank include Mr A.S. Thiyagarajan, who headed the bank's Indian investment banking operations until he left Bombay late last year. The three others also worked in investment banking, handling the bank's trade in securities on its own account and on behalf of clients in portfolio management schemes.

A Citibank spokesman in Bombay confirmed the four men resigned on Saturday. He said there was no link with the Federal Reserve Board team's visit but declined to elaborate.

The scandal, which erupted last April, has brought heavy losses to some banks, the resignation of a cabinet minister, and the arrest of about 20 people. Foreign banks, which dominated the inter-bank securities market, have been criticised for pioneering trading techniques which allegedly ran foul of regulations. Mr Ram Niwas Mirdha, chairman of the parliamentary investigatory committee, accused foreign banks of initiating the fraud.

Bankers said the resignations would prompt renewed demands for the parliamentary committee to investigate Citibank further.

Washington braced for the big bash

Jurek Martin on the five-day extravaganza marking the US presidential inauguration

WHEN it is not consumed by the plight of Nicaraguan peasants, National Public Radio, the closest American broadcasting comes to the BBC, has a nice line in gentle humour.

The other day it ran a skit in which one if its women reporters, who is unmarried and happens to have a ticket for the inaugural ball, took calls from really famous people, such as TV talk show hosts and the odd senator, all begging for a date next Wednesday night.

Tickets, beds and chairs are perhaps the most important commodities in the five-day multimillion dollar extravaganza that is this week's presidential inauguration. There are, quite simply, not enough of the first two to go around and there may, when it is all over, be a distinct shortage of things to sit on in perhaps the most important room in the country.

Free-market theorists will be disappointed to know that there is virtually no secondary, or scalping, market in tickets for the balls, galas and parade stands. The inaugural is one of those occasions when tickets have no retail value, as the important thing is to be there and to be seen to be there.

The official inaugural programme is extensive; starting even before a 30ft-by-60ft fireworks representation of Bill Clinton playing the saxophone lit up the skies over the Potomac to mark his arrival from Thomas Jefferson's Virgina home yesterday, and ending with a White House open (but by invitation) day on Thursday. But it is dwarfed by the unauthorised, though lavish, events also scheduled for this week.

The terse Associated Press diary is now more than 3ft long, only the first 11 inches of which are taken up by official functions. Unofficial highlights include an Animal Ball, at which vegetarian food will be served by waitresses clad only in aprons and to which the wearing of furs is prohibited, the MTV rock n'roll ball, with live music and a performance by Mr Clinton's country music singing brother, and a ball for the homeless, to which food contributions are required and the wearing of "church clothes" recommended.

On the move: Bill Clinton, his wife Hillary and daughter Chelsea en route to inaugural events in Virginia and Washington DC

On Monday night the Clintons and Gores will be attending the official gala at a suburban sports centre but will not be the main attractions. The monarch himself, Michael Jackson, will be singing and dancing, and so will the queen of Hollywood, Barbara Streisand, recently energised by her organisation of a boycott of Colorado because of its passage last November of an anti-homosexual initiative.

There have been reports from Los Angeles that the "stars", who expect to be treated like royalty, are a bit miffed at the shortage of appropriate accommodation and lack of recognition accorded to them in Washington.

There has certainly been a run on local stretch limousine rentals not seen since the Reagans took over the town 12 years ago.

The cost of all this is impossible to estimate. The official side is supposed to be operating on a \$20m (£13.1m) budget, financed by the sale of memorabilia and by private donations, which have been solicited (including, controversially, by Mrs Hillary Clinton's brothers, who would have been better advised to sing back-up to Roger Clinton). As sure as it will be cold this week, this budget will be broken.

There have naturally been complaints that tickets have been priced out of the reach of ordinary people, also arriving in thousands. At \$125 a head an official ball ticket is cheaper than any at the Reagan and Bush inaugurals. The problem is simply laying hands on one. It is assumed that the whole population of Arkansas (3.7m) has them, but evidence suggests this is not true.

In any case, there is much free entertainment. The Johnson Mountain Boys, one of the stellar bluegrass groups, seem to be performing three times a day. So, for aficionados of Slavic music, are the Popovich brothers.

However, anyone with a spare bedroom in Washington has discovered how many out-of-town "friends" they have. Every office with a view over the Pennsylvania Avenue parade route has already ordered the paper cups and cocktail snacks.

But one room is going to look rather different when it is all over. Most of the members of the Bush cabinet are taking home with them the chairs they sat in while deciding the affairs of state.

Each chair costs \$1,666 and has a commemorative plaque on the back. Some staff members chipped in to buy the chairs for their departmental heads; the cabinet itself had a whip-round to give Mr Bush his.

Theoretically, new chairs have been ordered for the Clinton cabinet. But if they have not arrived in time "there's plenty of folding ones to go around," according to one Republican White House aide.

Malaysia moves to trim sultans' powers

THE Malaysian parliament begins debating measures today to limit the powers of the country's nine sultans, or hereditary rulers, writes Kieran Cooke in Kuala Lumpur.

In what is seen as one of the most crucial political acts in Malaysia for several years, the government, led by Prime Minister Mahathir Mohamad, wants to remove constitutional provisions which give the sultans, each of whom takes a turn as king, immunity from prosecution.

The proposed amendments include abolishing the right of the sultans to pardon themselves and members of their families and provisions which forbid adverse comment being made in parliament about the royalty.

While there is little doubt MPs will approve the amendments, there could be a crisis should the sultans not give their approval to the measures. Some have indicated they are unwilling to support the government's actions. There are also some doubts about popular support for the moves.

UN team kidnapped

AT LEAST four British peacekeepers have been taken hostage by the radical Khmer Rouge guerrilla faction in north-west Kompong Chhnang province, UN officials said yesterday, Reuter reports from Phnom Penh.

The men, part of a UN Transitional Authority in Cambodia naval observer team, were abducted while on reconnaissance along the Sen river, they added. Over the past two months the Khmer Rouge have taken scores of Untac personnel hostage. Last month they threatened to execute prisoners.

UNITED NATIONS IN INTENSIVE EFFORT TO SOLVE POLITICAL CRISIS

Haiti military agrees on democracy talks

THE Haitian army said yesterday it had agreed to UN-brokered negotiations to advance democracy in the country, AP reports from Port-au-Prince. It had also agreed to the appointment of an interim prime minister, a UN official said.

The announcement followed delivery of a letter from exiled President Jean-Bertrand Aristide in which he agreed to talk to coup supporters for the first time since his overthrow in September 1991. It also followed calls by US President-elect Bill Clinton, changing his campaign position, for Haitians to stay home or face repatriation.

American forces have turned back hundreds of Haitians in recent days.

The diplomatic breakthrough followed intensive attempts by the UN to solve Haiti's political crisis, which began with Mr Aristide's overthrow.

Mr Dante Caputo, a UN special envoy, and army and government leaders met for most of Saturday.

Mr Caputo was sent to Haiti to discuss today's elections to the Senate which the UN, US and Organisation of American States have denounced as illegitimate.

It was not clear whether the announcement would affect the elections, in which the military-backed government of Prime Minister Marc Bazin was expected to gain a majority in the 27-seat Senate.

A UN official cautioned, however, that the government had only agreed to a framework for negotiations, terming any agreement now as "the end of the beginning".

Tougher issues lay ahead, such as the question of an amnesty for army coup leaders and a timetable for Mr Aristide's return.

Minutes after the army announcement the government urged Haitians not to flee the country and warned them that clandestine refugee voyages were illegal.

Since the end of the 29-year Duvalier family dictatorship in 1986 the army has repeatedly gone back on pledges to reform itself and guarantee democracy.

Army factions have carried out three coups since then and failed to prevent thugs from stopping democratic elections in 1987 that the military had opposed.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

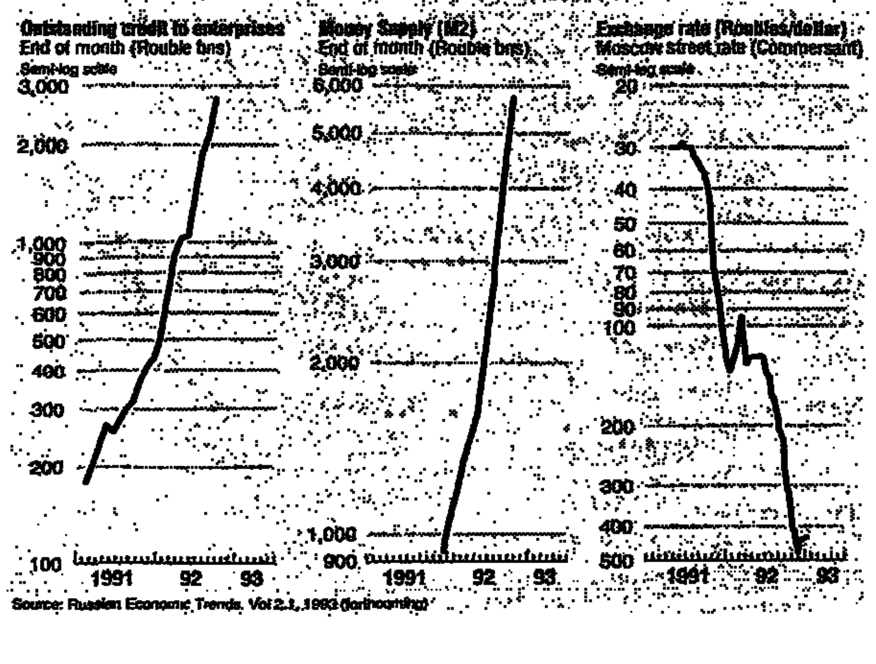
Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1987	105.6	100.7	103.8	96.7	65.4	101.2	92.5	103.1	100.6	131.6
1988	109.9	103.2	106.9	98.1	61.8	102.2	92.3	107.8	98.2	140.3
1989	115.2	108.5	110.0	98.9	65.5	104.9	94.2	114.0	96.1	132.2
1990	121.5	113.8	113.8	100.9	60.9	108.2	95.7	120.1	98.2	114.8
1991	126.6	116.3	117.3	103.5		111.8	97.3	124.4	101.6	
1992	130.4	117.7				113.9				
4th qtr.1991	3.0	−0.2	2.9	1.7		3.2	0.0	3.2	6.0	
1st qtr.1992	2.9	0.4	2.6	−0.1		2.1	−0.6	2.5	8.2	
2nd qtr.1992	3.1	1.3	2.9	−0.5		2.6	−0.7	2.4	8.7	
3rd qtr.1992	3.1	1.6	2.3	−0.1		2.0	−0.8	1.0	9.0	
4th qtr.1992	3.0	1.5				0.9				
January 1992	2.6	−0.4	1.7	0.7	n.a.	2.0	−0.6	4.6	7.9	n.a.
February	2.8	0.6	3.5	−0.1	n.a.	2.2	−0.6	1.2	6.9	n.a.
March	3.2	1.1	2.6	−0.7	n.a.	2.2	−0.7	1.7	9.8	n.a.
April	3.2	1.1	3.4	−0.6	n.a.	2.8	−0.7	1.3	8.7	n.a.
May	3.0	1.1	2.6	−0.6	n.a.	2.3	−0.7	1.1	11.8	n.a.
June	3.1	1.6	2.6	−0.3	n.a.	2.5	−0.7	3.8	5.7	n.a.
July	3.2	1.7	1.7	−0.2	n.a.	2.0	−0.7	2.3	8.8	n.a.
August	3.2	1.6	2.6	−0.5	n.a.	1.8	−0.8	−1.5	11.4	n.a.
September	3.0	1.6	2.5	0.3	n.a.	2.2	−0.7	1.4	6.7	n.a.
October	3.2	1.7	1.7	−0.2	n.a.	1.2	−0.8	1.5		n.a.
November	3.0	1.3	1.7	−0.8	n.a.	0.6	−0.9			n.a.
December	2.9	1.6			n.a.	0.9				n.a.

	GERMANY					FRANCE				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1987	100.1	95.1	108.0	107.1	123.9	105.9	97.8	107.8	103.0	102.6
1988	101.4	98.2	113.0	106.8	125.3	108.8	102.8	111.1	104.3	96.3
1989	104.2	99.3	117.3	107.9	121.0	112.6	108.4	115.4	105.5	92.3
1990	107.0	101.0	123.8	110.4	125.0	116.4	107.1	120.6	110.0	95.7
1991	110.7	103.4	131.8	114.9		120.0	105.8	125.8	114.0	
1992	115.1					123.3				
4th qtr.1991	4.0	2.4	n.a.	6.6		2.9	−3.6	n.a.	2.7	
1st qtr.1992	4.3	2.0	n.a.	4.5		3.1	−3.0	n.a.	1.8	
2nd qtr.1992	4.5	2.0	n.a.	3.8		3.1	−1.1	n.a.	2.6	
3rd qtr.1992	3.5	1.0	n.a.	6.1		2.7	−0.9	n.a.		
4th qtr.1992	3.7		n.a.			2.2		n.a.		
January 1992	4.0	1.6		4.5	n.a.	2.9	n.a.	–	n.a.	n.a.
February	4.3	2.0		3.6	n.a.	3.0	n.a.	–	n.a.	n.a.
March	4.8	2.5		5.4	n.a.	3.2	n.a.	3.6	n.a.	n.a.
April	4.6	1.9		5.4	n.a.	3.1	n.a.	–	n.a.	n.a.
May	4.6	2.0		1.7	n.a.	3.1	n.a.	–	n.a.	n.a.
June	4.2	2.0		4.3	n.a.	3.0	n.a.	3.8	n.a.	n.a.
July	3.3	1.1		8.9	n.a.	2.9	n.a.	–	n.a.	n.a.
August	3.5	1.1		5.2	n.a.	2.7	n.a.	–	n.a.	n.a.
September	3.6	0.8		4.3	n.a.	2.6	n.a.	3.5	n.a.	n.a.
October	3.7	0.5		6.9	n.a.	2.4	n.a.	–	n.a.	n.a.
November	3.7	0.5			n.a.	2.1	n.a.	–	n.a.	n.a.
December	3.7				n.a.	2.0	n.a.		n.a.	n.a.

	ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1987	111.0	103.2	111.6	105.6	102.3	107.7	108.3	116.3	105.9	91.3
1988	116.5	106.8	118.4	109.8	101.6	113.0	113.2	126.2	108.9	97.5
1989	124.2	113.1	125.6	112.1	107.2	121.8	119.0	137.2	113.6	98.4
1990	131.8	117.8	134.7	118.8	113.7	133.3	126.0	150.1	123.2	102.3
1991	140.3	121.7	147.9	131.2		141.2	133.0	162.4	132.6	
1992	147.7					146.4	138.0			
4th qtr.1991	6.1	2.1	10.6	12.7		4.2	5.0	7.8	4.4	
1st qtr.1992	5.6	1.4	9.2			4.1	4.5	8.6	4.1	
2nd qtr.1992	5.5	2.0	6.0			4.2	3.6	5.9	1.6	
3rd qtr.1992	5.2	1.9	3.7			3.6	3.5	6.2	1.9	
4th qtr.1992	4.8					3.0	3.4			
January 1992	6.1	1.3	9.4	n.a.	n.a.	4.2	4.5	7.5	4.8	n.a.
February	5.3	1.5	9.1	n.a.	n.a.	4.1	4.4	7.8	2.3	n.a.
March	5.5	1.4	9.1	n.a.	n.a.	4.0	4.5	10.3	5.3	n.a.
April	5.5	1.8	8.8	n.a.	n.a.	4.3	3.8	5.0	0.1	n.a.
May	5.7	2.1	4.6	n.a.	n.a.	4.3	3.5	7.0	2.7	n.a.
June	5.4	2.1	4.7	n.a.	n.a.	3.9	3.6	5.9	2.0	n.a.
July	5.4	1.9	4.0	n.a.	n.a.	3.7	3.6	6.2	3.1	n.a.
August	5.2	1.9	3.5	n.a.	n.a.	3.6	3.4	6.5	1.9	n.a.
September	5.1	1.9	3.7	n.a.	n.a.	3.6	3.4	5.7	0.8	n.a.
October	4.9		4.1	n.a.	n.a.	3.6	3.3	6.4	0.4	n.a.
November	4.8			n.a.	n.a.	3.0	3.3			n.a.
December	4.7			n.a.	n.a.	2.6	3.5			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.



Source: Russian Economic Trends, Vol 2.1, 1993 (forthcoming)

'Bottom-up' style in fashion for ex-Soviet reform

THE DEMISE of Mr Yegor Gaidar as leader of Russia's economic reformers, to be replaced as Russian prime minister by the conservative Mr Viktor Chernomyrdin, might suggest the Russian government's attempt to stabilise the inflation rate has come to an end. In fact, the evidence appears to suggest that monetary stabilisation never really began.

Apart from a small blip in the spring of last year, Russia's money supply has been growing as fast as the rouble exchange rate has been collapsing. The main culprit is rouble credits paid by the central bank to otherwise bankrupt Russian enterprises, as the charts, drawn from the latest issue of Russian Economic Trends, show.

With officials from the International Monetary Fund breathing down their necks, Mr Gaidar and his team did manage to suppress the growth of these credits in May and June and the monthly inflation rate fell to a low of 9 per cent in August. But the control of the reformers waned, as enterprises' losses accumulated and the power of the industrial lobby grew. Having risen by 36 per cent in May and June, enterprise credits rose by 33 per cent in July alone while monthly inflation accelerated to 33 per cent in November.

What went wrong? The reformers and their western advisers have been quick to blame the inflationary habits of the central bank. But Russia's inflation was only a symptom, the most direct manifestation of the power struggle between Moscow's reformers and the more reactionary forces who still control the economy.

The reformers' strategy was to try to loosen the grip of the industrialists by imposing bankruptcies and rising unemployment from the centre in the name of stabilisation. But the evidence shows how successful the bureaucrats and industrialists have been in keeping control. Industrial productivity fell by 24 per cent last year but Russian output fell by 22 per cent. So the same number of workers produced a fifth less output at the expense of accelerating inflation.

Russia's failed attempt at stabilisation suggests that success is possible only if the grip of the industrial lobby is weakened. Mr Daniel Kaufman, the World Bank mission chief in Kiev, is advising the Ukrainian government, currently struggling with a monthly inflation rate of 50 per cent, to press ahead with small-scale privatisation, especially of retail stores, trucks and farmland, and remove legal barriers to new businesses. This would weaken the power of the bureaucracy and generate alternative employment.

Reform efforts should be concentrated in those regions where the local government is more progressive in order to provide a lead for more conservative regions and bypass well-organised vested interests, he says. State enterprises should be commercialised as fast as possible but potentially profitable large enterprises should be kept afloat with limited, transparent and time-bound subsidies tied to restructuring. Only then can the government bring the budget deficit under control and make the shift to the market irreversible.

Russia's reformers are also embracing this "bottom-up" approach. The Nizhny-Novgorod experiment in auction-based small-scale privatisation is being tested in Tomsk, Volgograd and Moscow, while last week the government said that 14 of Russia's 49 regions were to be included in a campaign to sell about 500 large and medium-sized enterprises under the direction of the International Finance Corporation, the World Bank's private sector arm.

All of this appears to amount to a shift in the conventional wisdom away from the academically fashionable "stabilise first, liberalise and restructure later" approach. As Mr Viktor Pynzenyk, Ukraine's minister for the economy, explains: "The lesson we have drawn from Russia's experience is that a pure monetary approach which looks very good on paper is nearly impossible to implement in an almost entirely monopolised economy."

Edward Balls

Russian Economic Trends is compiled by the LSE's Centre for Economic Performance and produced quarterly in London by Whurr Publishers. Tel: 071-359-5979.

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Lamont signals caution on interest rate cuts

By Peter Norman and Philip Stephens

MR NORMAN Lamont, the chancellor of the exchequer, yesterday signalled a cautious approach to further UK interest rate cuts by stressing that the government faced a difficult task keeping inflation in its target range.

Appearing on BBC television's "Breakfast with Frost", the chancellor said there were "encouraging signs" that the economy was improving. He also insisted there was "very little room for manoeuvre" if the government kept to its inflation target of between one and four per cent.

These two remarks in a wide ranging interview with Sir David Frost suggested the chancellor was in no hurry to approve a further cut in bank base rates from 7 per cent. His remarks could disappoint the City following speculation in financial markets last week that interest rate cuts were imminent.

His comments came as officials confirmed that Mr John Major has set up a new cabinet committee to suggest new schemes to tackle unemployment. But the Treasury has so far resisted calls for a large-scale jobs programme in the March 16 Budget.

Mr Lamont reaffirmed that the government aims to bring underlying inflation, which excludes mortgage interest payments, to between zero and 2 per cent by the end of this parliament. He made clear that this would not be easy. Official figures last Friday showed the underlying inflation rate crept up to 3.7 per cent last month from 3.6 per cent in November.

Mr Lamont said the impact on inflation of sterling's depreciation since leaving the European exchange rate mechanism had been less than feared. But the lower than expected boost to prices was probably because the disinflationary forces in the economy had been so strong before the September 16 currency crisis.

The chancellor denied the pound's departure from the ERM had left the government's anti-inflation strategy in tatters. He admitted, though, that the crisis had undermined confidence.

He recalled, however, that the floating of sterling had also created opportunities. The government had been able to cut interest rates while conditions had improved for exporters. But he warned that currency depreciation could "never" be the answer to Britain's economic problems. "It is in the long term the road to ruin," he said. The right way to improve performance was to become competitive.

A welter of economic data this week should give clearer idea of how far Britain's economy has recovered since departure from the ERM and the adoption in November of policies to encourage growth. The British Chambers of Commerce quarterly business survey on Thursday is expected to confirm the picture of greater optimism conveyed by smaller business surveys and reports of high turnover in the winter sales.

Mr Lamont conceded that growth in Britain "could be better" this year than the 1 per cent forecast in the government's Autumn Statement, but he expected growth to accelerate in the second half of this year.

The chancellor said the UK economy could perform better this year than some of its European competitors, including Germany.

British Gas fears loss of overseas markets

By Deborah Hargreaves

BRITISH Gas would be severely weakened in its competition with large utilities overseas if it were broken up, the company has warned.

The Monopolies and Mergers Commission, which is reviewing British Gas, is considering the break-up of the company as a way of encouraging competition. Sir James McKinnon, director general of Ofgas, the gas industry regulator, is also pushing for British Gas's pipeline business to be hived off.

British Gas executives claim they are not afraid of more competition but believe the company in its current form represents one of Britain's "champions" overseas.

British Gas is seeking to diversify into markets overseas as countries privatise state utilities. Mr Cedric Brown, British Gas chief executive said: "We've been able to use our financial strength to expand abroad and generate a numerous amount of jobs and opportunities."

The company has also stressed in its evidence to the MMC the levels of efficiency it has achieved. A recent study by Arthur D. Little, the consulting group, showed that, on average, British Gas has around 25 days-worth of gas stored in its system.

This is an important measure of efficiency – the lower the number of days' gas stored the more efficient the system is at balancing supply and demand. In the same study, Germany was shown to have 40 days' gas usage stored, the US 70 days and France more than 100 days.

Executives see slowdown in average pay rises

By Michael Dixon

BRITISH executives' pay rises slowed to an average of 6.3 per cent last year compared with 9.3 per cent in 1991, according to the latest index produced by the Noble Lowndes group of management consultants and actuaries.

The index, calculated quarterly for the FT, includes the value of benefits such as cars and pensions as well as salaries and bonuses. The figures are based on a survey of 5,371 managers in 423 widely varied businesses.

Chief executives of companies with £600m-plus turnover continued to pull ahead of other groups of managers. An average rise of 7.2 per cent took the big company chiefs' total package to just over £250,000, compared with a total for all ranks of managers of £80,577.

Of the all-ranks figure, salaries make up 71.3 per cent as against 69 per cent three years ago, and pensions 10.7 per cent as against 9.7 per cent.

The bonus element has fallen from 8 per cent in 1990 to 5.8 per cent, with cars down from 11.6 per cent to 10.7 per cent, and miscellaneous benefits from 1.7 per cent to 1.5 per cent.

Separate figures, meanwhile, show women occupy only 150 top executive positions out of a total of 5,641 such jobs in the UK's listed companies. The number – nearly 3 per cent – is up slightly from the 124 positions occupied by women one year ago.

The statistics, compiled by the Crawford's Directory of City Connections, show that companies on the smaller USM market have a slightly higher number of women chief executives or managing directors, seven compared with five on the main market.

The number of female chairmen has fallen from five to two – Ms Jean Tyrell, at Sirdar, the textile manufacturer, and Ms Aleksandra Clayton, at Alexanders Holdings, the car dealer.

Ms Ruth Henderson remains the only woman chief executive, at Alexon Group, the retailer.

Crawford's said the growth areas for women are company secretary – where 7 per cent of the total are women – and investor relations officer where there are 17 per cent.

"More than a year after the launch of the government's equal opportunities programme, Opportunity 2000, statistics reveal that the thickest glass ceiling of all – that into the boardroom of UK listed companies – has not yet cracked," Crawford's added.

PAY & BENEFITS OF EXECUTIVES IN BRITAIN – JANUARY 1993

Rank of manager	Size of company by annual sales	Salary £	Bonuses etc. £	Company car £	Pension £	Other perks £	Total pay £	Index (1/90 = 100)	% rise in last year
Chief executives	Up to £100m:	98,770	12,445	14,521	15,618	1,863	143,217	130.5	6.6
	£101m-£600m:	163,924	16,081	15,632	24,612	2,075	222,324	135.0	6.6
	£600m-plus:	179,046	22,918	18,112	27,997	2,229	250,302	135.1	7.2
Other directors	Up to £100m:	56,086	5,945	9,398	8,169	611	80,209	130.6	6.6
	£101m-£600m:	98,844	9,469	13,086	13,342	1,275	136,016	133.4	6.5
	£600m-plus:	111,450	9,332	13,613	18,940	1,289	154,624	133.4	6.9
Senior managers	Up to £100m:	39,686	2,381	6,930	4,626	398	54,021	128.7	6.2
	£101m-£600m:	55,205	4,120	8,574	7,507	955	76,361	133.8	6.2
	£600m-plus:	68,465	4,553	9,181	9,464	1,094	92,757	132.1	6.4
Middle managers	Up to £100m:	27,854	1,214	4,326	3,105	300	36,799	128.6	5.9
	£101m-£600m:	39,989	2,539	6,835	5,068	673	55,204	133.3	6.1
	£600m-plus:	43,633	2,657	7,117	5,103	826	59,336	132.7	6.4
All executives in survey:		57,488	4,637	8,604	8,644	1,204	80,577	132.2	6.3

Figures are averages from survey of 5,371 managers in 423 companies. "All executives" index January 1990: 100 = £60,936.

Virgin seeks Heathrow slots

By Philip Stephens and Neil Buckley

THE government will today respond sympathetically to Virgin Atlantic's demands for slots at Heathrow, London's leading hub, but will underline its determination not to become embroiled in the airline's battle with British Airways.

Mr Richard Branson, the Virgin chairman, will meet Mr John MacGregor, the transport secretary tonight to press his case for access to Heathrow in the wake of his court victory earlier this month in a libel battle with BA.

Mr Branson is expected to call for a review of the way slots – take-off and landing rights – are allocated, and the creation of a new regulatory body to oversee competition.

The talks will follow a renewed warning yesterday that Virgin is ready to contemplate further action against BA in US courts unless its rival comes up with an act of "good faith" to demonstrate that its has changed its attitude to competition.

Lawyers for Virgin are examining the possibility of anti-trust action in the US, action under EC competition laws, or even prosecution in the UK under the Data Protection Act of BA staff alleged to have hacked into Virgin's computers, unless BA makes some sort of "concession".

Mr MacGregor is expected to tell Mr Branson that he cannot interfere with the present EC-wide arrangements under which BA slots at Heathrow are protected under so-called "grandfather" rights as long as an airline is using them.

But the transport secretary is expected to point out that large-scale investment over the next few years, including the construction of new £300m traffic control centre, will pave the way for new slots to be created at Heathrow. Virgin would be a front-runner in competition for such slots.

Ministers are deeply conscious of the political dangers of the government becoming embroiled in the Virgin-BA row. They are aware also that that Mr Branson's hopes of expanding his fleet of eight aircraft depends on access to Heathrow.

Draft report urges radical change in nuclear policy

By David Owen, Mike Smith and Philip Stephens

RADICAL proposals for the government to assume responsibility for financing the decommissioning of ageing atomic power stations while diverting some funds to the coal industry are contained in a draft report by an influential committee of backbench MPs.

The draft report – sent to MPs on the trade and industry select committee this weekend – calls for the government to take over from Nuclear Electric more than £8bn of liabilities relating to future decommissioning costs.

In return, the state-owned utility would stop receiving the sums raised from the nuclear levy, a charge designed to cover these liabilities which will be paid by all electricity consumers until 1998.

The draft coincides with strains within the cabinet on how to rescue some of the 31 pits threatened with closure without compromising the government's opposition to state aid for ailing industries.

The MPs' draft report says the bulk of the money raised by the nuclear levy would continue to be set aside for nuclear decommissioning. But a portion would be channelled into coal to provide a lifeline for unprofitable pits.

The proposals are thought to be driven by the assumption that decommissioning costs will be less than expected.

Britain in brief

UK power companies reach deal

Regional electricity companies in England and Wales have agreed with the generators the broad commercial principles by which – in the next batch of long-term contracts – they will buy at least some of the power that will be generated from coal.

The successful outcome of the heads-of-agreement talks is important because it will help ease negotiations on the final contracts after the white paper on energy is published next month.

The heads of agreement, negotiated between 11 of the 12 regional companies on one side and National Power and PowerGen on the other, cover issues including the impact of possible tax changes and the effect of inflation on prices.

Mergers could see 'mini-boom'

There is a possibility of a "mini-boom" in merger and acquisition activity in the UK during 1993, according to Ernst and Young Corporate Finance.

In its monthly review published today, the business says that, after "probably the most dismal year ever" for corporate financiers, the level of company acquisitions should increase in the coming year.

The Ernst & Young review says that "as and when there are real, sustained signs of an improvement in the economy", many of the medium-sized and larger, cash-rich public companies will decide the time is right to buy.

Finance firms pessimistic

Seven out of 10 financial services firms are experiencing lower than normal business volumes and are no more optimistic about their overall prospects than they were three months ago, according to the latest quarterly survey of industry trends.

The survey, conducted by the Confederation of British Industry and Coopers and Lybrand, found, however, that 25 per cent of the 309 institutions surveyed in December were more optimistic about business prospects, up from 3 per cent in the previous quarterly survey conducted in September. The survey covered banks, building societies, finance houses, life and general insurance companies, insurance and stockbrokers, fund managers and securities traders.

Fresh Ulster talks expected

The first Anglo-Irish conference since the Irish general elections is expected to take place next month, and is likely to herald the initiation of new talks about the future of Northern Ireland shortly afterwards.

British ministers expect that two meetings under the Anglo-Irish conference might be necessary to agree a way forward for the talks to begin again, after their breakdown last November.

There appears to be a consensus in London, Belfast and Dublin that the "three-strand" approach of the last talks will not be repeated and that there is now a need for a less rigid structure, allowing for a series of bilateral contacts between the two governments and the four main political parties in the province, to make further headway.

Surfeit of city office space

Central London has a 10 to 15 year supply of empty office space, according to a report by Applied Property Research, a research group. There would be an additional 15 year supply of space, if the schemes with planning permission are built.

The report says, however, that half the sites with planning permission will never be commercially viable.

Speculative developments will be viable within five years for just 10 per cent of these sites, equivalent to 8.1m sq ft.

Business rate bills to be cut

Business rates – the taxes charged to companies for local services – are to be reduced in Scotland by £68m in the next financial year thanks mainly to the injection of extra government funds.

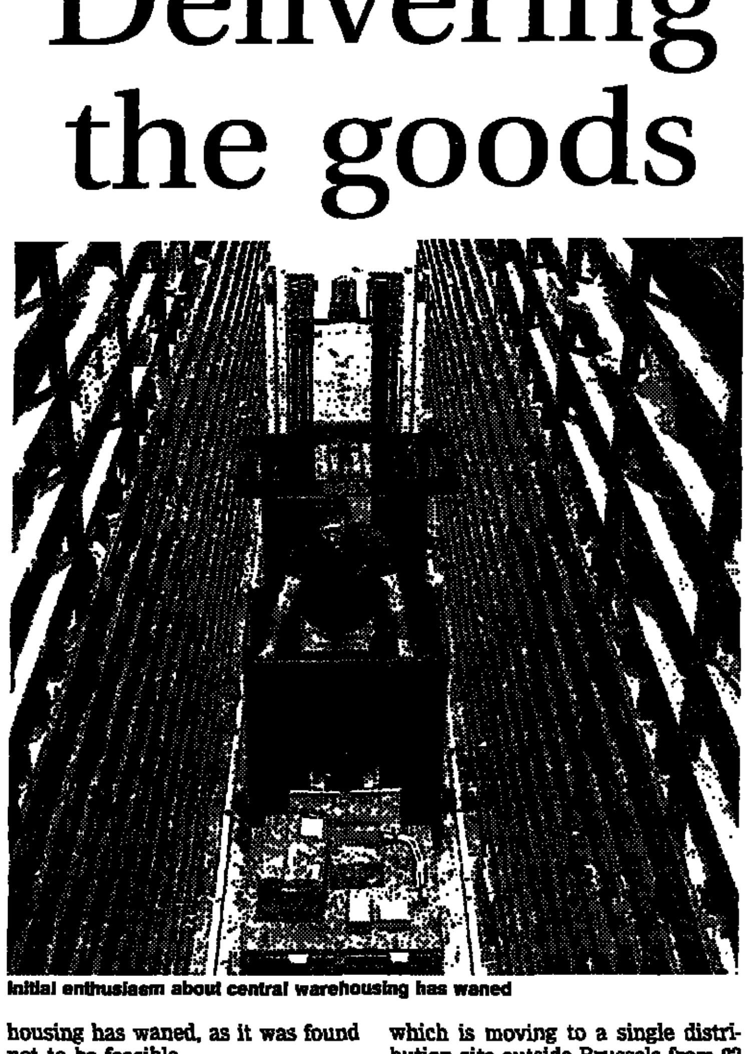
The reduction is another of the annual steps in the Scottish Office's programme of bringing Scottish business rates into line with the uniform business rate in England and Wales. In 1989 the government began reducing Scotland's much higher business rates.

Rethinking Europe

LONG BEFORE the European single market came into being, companies adapted manufacturing strategies to anticipate the new conditions. But it was soon clear that making such strategies work depended on the ability to deliver the goods. Logistics – the fine art of warehousing and distribution management – has a special significance in the single market.

Andrew Baxter says centralised distribution may not always make sense in the single market

Delivering the goods



Initial enthusiasm about central warehousing has waned

Over the past five years, the more forward-looking companies have asked themselves what kind of distribution chain they need to serve customers across continental Europe in the most cost-efficient way and have acted accordingly.

The conventional view was that companies would reduce the number of warehouses in Europe, moving from a national structure to a regional approach or even a central warehouse. That view still holds good.

But there is evidence that some companies are becoming aware of the dangers of over-centralising and are rethinking their European logistics strategies.

Getting logistics right is probably harder than sorting out a manufacturing strategy. For every company there are one or more different solutions – it all depends on what you are producing, where your customers are and how you want to serve them, says David Ecklund, European commercial manager for Caterpillar Logistics Services.

A report due next month from the Illinois-based Council of Logistics Management says that some companies have recognised that their initial attempts at logistics restructuring in Europe may have been too aggressive.

The report, co-ordinated by Kevin O'Loughlin, a partner in Andersen Consulting's logistics strategy practice, and James Cooper, director of the Cranfield Centre for Logistics and Transportation, says the conventional wisdom that centralised warehousing is the optimal form of integration in Europe must be challenged.

Moreover, it says, the diverse market characteristics in Europe, as well as the varying degrees of market penetration, are not well served by a uniform, homogeneous logistics strategy.

"Centralisation does rely on product standardisation in both the formulation and packaging," says Cooper. This view is confirmed by other European logistics experts. Joachim Miebach, founder of Frankfurt-based logistics consultancy Miebach & Partner, says some of the initial enthusiasm about central warehousing has waned, as it was found not to be feasible.

"The big hindrance is national peculiarities," he says: "They have not disappeared." For example, many companies thought they would be able to introduce product labels with as many as five languages on each, but they are still having to produce different versions for each national market,

The report also says that growing road congestion is confounding manufacturers' abilities to provide speedy deliveries to some parts of Europe from a single site.

Even so, O'Loughlin points out that some companies are still happy to have one central warehouse for Europe. He cites the example of Becton Dickinson, the US medical and diagnostic products group, which is moving to a single distribution site outside Brussels from 22 sites around Europe.

On the other hand, a large consumer packaged goods company included in the council report said it had decided to move to a single distribution site but would have to modify the plan. Having closed warehouses in Italy, it now believed it needed a warehouse in southern Europe to ensure it could serve customers there properly.

Fortunately, few companies built one central warehouse for their entire European business because they realised it would not work. Instead, they are using centralised distribution as one element of a diverse logistics package and are adopting centralised logistics management for a handful of regional warehouses. This is the approach at Whirlpool, the world's largest white goods group, which is expanding fast in Europe following its takeover of the Philips large domestic appliance business.

The company has reduced its warehouses from 45 in 1985 to 16 and aims to end up with six or seven, says Ugo Simonelli, Whirlpool Europe's logistics chief.

With relatively high transport costs for white goods, Whirlpool aims to keep its products travelling in one direction and it would not have made sense to have had a single warehouse for goods coming from several manufacturing sites in Europe. On the other hand, spare parts distribution is being concentrated on one or two warehouses.

A mixed approach is also being adopted at SKF, the Swedish roller bearings group. The company, which Miebach has been advising for the past 15 years, is preparing the ground for a new centralised warehouse in Belgium which was to have supplied all customers. Instead, SKF will now supply automotive customers directly from its factories and use the warehouse for deliveries to dealers.

One of the most important messages from logistics experts to companies considering changing their logistics structure for the single market is not to lose flexibility by blindly pursuing the economies of scale which integration provides.

Consequently, in industries where the eventual level of product harmonisation is hard to predict, companies are being advised to use third-party distributors rather than invest heavily in capital-intensive warehousing which they may later regret.

This is providing unexpectedly good opportunities for sophisticated third-party companies such as *CLS*. O'Loughlin cites one client, a leading US supplier of medical products, which has traditionally used its own warehouse facilities and storage retrieval systems. "One of our key suggestions was to rethink that, to use more third-party distributors so that it could remain flexible and adaptive – then begin investing in its own infrastructure once the market environment stabilises."

Whatever happens to the central warehouse ideal, it is clear that the logistical restructuring of Europe has only just begun. Many companies have shrunk from reorganising their distribution, either because they were not sure how "single" the single market would be, or because they have been wary of restructuring a function that historically has been closely allied with national sales and marketing outlets.

But, as the council study says, most managers express little doubt that logistics restructuring will occur, sooner or later.

Bowing to pressure and the corporate hierarchy

Robert Thomson looks at how public humiliation is part of business life for junior employees in Japan

Japanese management style is often described as Confucian in concept and family-like in feel, with an enlightened manager deftly and sensitively handling crises, inspiring corporate loyalty and, as the Chinese sage put it, "cultivating his own character such that he can govern other men".

But closer scrutiny of the crisis-handling techniques of managers at large Japanese companies suggests that Confucius would definitely disapprove of their readiness to show anger and of the apparently common practice of openly condemning younger employees who have erred.

A research affiliate of the Ministry of Labour surveyed 3,359 companies, large and small, to gather information on whether managers were coping with *shinjinrui*, younger Japanese employees who come equipped with broader outlooks on life and, reputedly, less devotion to the corporate cause.

In dealing with a young employee's fictional "failure" in the workplace, managers were asked to choose suitable responses. Instead of subtlety and sensitivity, 39.1 per cent chose "a public scolding" and 48.2 per cent selected "a scolding in a separate room".

Only 18 per cent of managers would "comfort" the mistake maker, and 16.9 per cent would pass on sage advice at a bar or restaurant. However, just over 3 per cent said they would be incapable of saying anything, while 10.4 per cent would use a third person to deliver the criticism.

The sometimes harsh methods of dealing with young employees were also highlighted in the advice columns of the Yomiuri Shimbun, the leading Japanese daily. A young women, describing herself as an employee of a large trading house, complained that she was routinely scolded and humiliated by her section chief. She was advised to examine her behaviour and alter it to reduce tension in the office.

One motive for the public scolding is to maintain a clear definition of the corporate hierarchy, putting the younger worker in his or her place, and reaffirming the power of the manager. A 27-year-old who resigned from a Japanese brokerage house expressed frustration at the constant pressure to "know his place", which he saw as attempt to force younger employees into accepting corporate goals by limiting their perceived options.

"You could see people changing because of this pressure. They were made to feel very small. I

couldn't accept that," the former securities house employee said.

The hierarchy is physically reinforced in the Japanese office, as the section chief has a desk perpendicular to a long row of desks at which lower-ranked employees sit. In that position, the manager "overlooks" the section, allowing him – only 2.3 per cent are women – to issue orders in a manner confirming and asserting his authority.

Younger workers are generally expected to wait for their turn at the top table and are told to regard their early years as a kind of "boot camp" at which the rough edges are removed. There has been increasing debate about the need to reward merit and encourage "creativity", but that movement was partly stimulated by concern about securing staff in the midst of a labour shortage.

The souring of the economy and the easing of that shortage have prompted a return to traditional desk arrangements and techniques. Even managers are under pressure, with companies such as Pioneer Electronic, the audio and video equipment maker, cutting costs by forcing senior staff to take early retirement packages.

Rather than larger companies setting management standards, small and medium-sized enterprises appear to be more enlightened, at least according to the survey findings. Within larger companies, 10.4 per cent more managers would prefer to scold an employee openly than to retire to a separate room – the trend was reversed at smaller companies.

Mari Okutsu, planning manager at the Japan Vocational Ability Development Association which conducted the survey, said she was initially surprised that larger companies appeared to treat employees more harshly but, after further thought, concluded that the criticism was commonplace and not likely to disrupt the working environment.

"The relationships between employees and managers at smaller companies are deeper and so they would choose to discuss problems in a room. Relationships are more professional in a large company, roles are more clearly defined and scoldings are common," said Okutsu.

Managers are trying to deepen their contacts with younger staff, some of whom enter a company determined not to become a dutiful, old-style manager. Conversation may be a problem. The survey found that 77 per cent of managers like to talk to staff about hobbies or recreation, 59 per cent chat about work and 24 per cent discuss "life and living", presumably after a few water-weakened whiskies.

CONSTRUCTION CONTRACTS

Protecting the Norfolk coastline

BALFOUR BEATTY CIVIL ENGINEERING has been awarded the £5.8m Happisburgh to Winterton flood defence contract for reefs 5,6,7 and 8 by the Anglian region of the National Rivers Authority.

The project, which includes the construction of four reefs 250 metres long by 45 metres wide, is to be carried out some 250 metres off the Norfolk coast. The work will be undertaken during the summer and dictated by tidal conditions.

After preparation work to the sea bed has been carried out, a one metre layer of 100mm to 500mm rock, followed by a core of rocks varying from one to three tonnes, will be laid on a fascine and geotextile mattress. This will then be armoured with eight to 16 tonne rocks laid to depth of three metres.

Motorway repairs

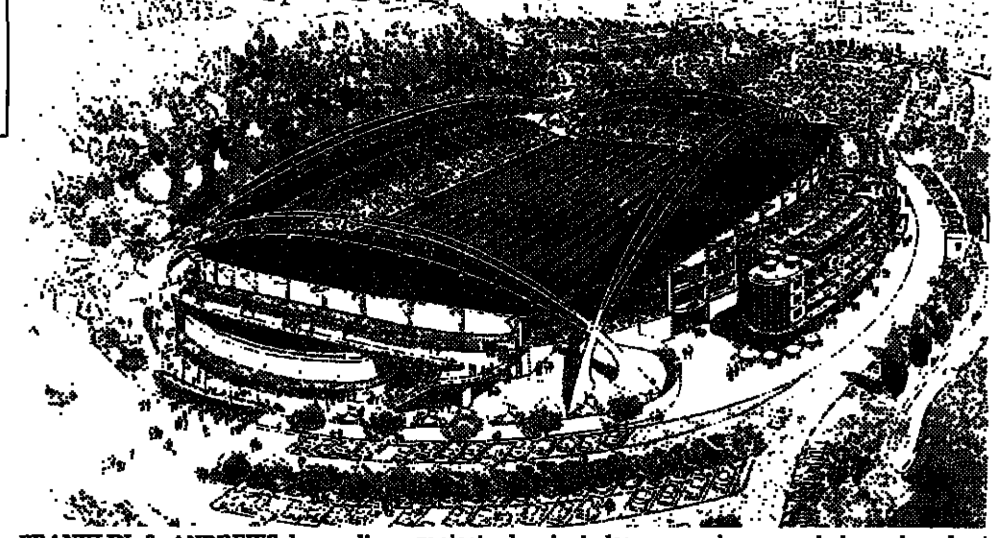
COSTAIN BUILDING & CIVIL ENGINEERING has been awarded a £5.3m general maintenance contract for work on the M3, for a 14km section between junctions six and eight, by Hampshire County Council, which is acting as agent for the Department of Transport.

Work on the contract will include 16 sq kms of resurfacing, crack sealing, hardening of the central reservation, providing new communication and drainage ducts and new safety fencing.

Runway lighting

THORN LIGHTING has won a £1m plus order for a lighting project at Kansai Airport in Japan. The contract covers the supply of over 2,200 inset taxiway lights at the airport, which is located at Osaka and designed to meet passenger growth into the next century. Electrical installation will be undertaken by Chudenko.

New Huddersfield stadium



FRANKLIN & ANDREWS has been appointed by Kirklees Stadium Development as quantity surveyors on the £18m project to build a soccer and rugby stadium *(pictured)* at Huddersfield, West Yorkshire.

The 25,000 all-seater stadium project also includes a golf range; banqueting facility, car parking and a bowling alley. Special features of the stadium include "banana" trusses to support the roof, and a highly specialised pitch to cope with both rugby league and soccer being played at least twice a week.

Work will commence on site in April and be completed by August of the following year in time for the centenary of Rugby League which started in Huddersfield.

Social housing in Hackney

Hackney Borough Council has selected LAING HOMES SPECIAL PROJECTS as development partners for London's largest social housing project to date.

The £64m scheme will see the transformation over the next five years of the Holly Street Estate in Hackney and provide 1,050 new and refurbished homes.

System-built in the early 1970s, the estate achieved notoriety for its multiple social, economic and environmental problems. Now this is all set to change with the proposed new and refurbished homes constructed following traditional Victorian street patterns, and offering predominately low-rise accommodation with gardens.

Tenure will be mixed. The Council will retain some properties for rent, while the majority will be managed by a consortium of housing associations. One hundred new homes will be set aside for the elderly, including those needing sheltered accommmodation, and for people with special needs. In addition 218 properties will be offered for sale and there will also be some self-build projects.

A training centre for construction and other skills will be established with a target to create 200 permanent jobs during the lifetime of the project.

Demolition works for the project will commence towards the end of 1993.

Funding will be provided by the Department of the Environment for City Challenge and Estate Action, the Housing Corporation and from private sales.

£19m workload for Ernest Ireland

Nearly £19m worth of new work has been won in the south, west and south Wales by ERNEST IRELAND CONSTRUCTION of Bath, part of John Mowlem Construction.

The largest contract, valued at £5.7m, is a 38,000 sq ft superstore for a major multiple retailer at Litchard Park, near Bridgend in south Wales. The store will be of steel framed construction with rubble-stone faced blockwork walls and a hung tile mansard roof. There will be a six-pump petrol station and parking for 470 cars.

At Southampton Retail Park work is under way on a £2.6m project to build two retail warehouse units totalling 100,000 sq ft for City Estates, Southampton. B&Q will be taking the larger 75,000 sq ft unit which will become its flagship "depot" style superstore. The steel-framed units have a striking high technology appearance combining brightly coloured external bracing, curtain walling and flashings with silver composite wall cladding and contrasting low-level brickwork

At Avon Rubber, Melksham, Wiltshire the company has been awarded a £1.4m contract to construct a plant to mix and blend rubber.

At Brockworth in Gloucestershire, Ernest Ireland has won contracts totalling £2.2m for a textile development facility and customer centre for ICI Fibres and in Portsmouth Ernest Ireland is converting a building to form a bingo and social club under a £947,000 contract for Top Rank.

Other awards include a weir at Tewksbury (£681,000) and tidal defence earthworks for a project in Gloucestershire (£620,000).

PEOPLE

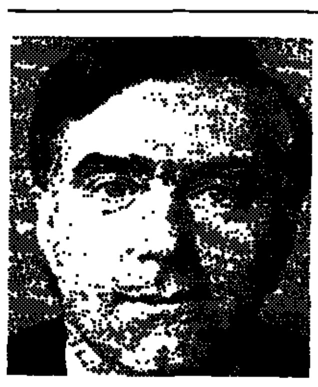
Weaver's prudent move pays off

Less than three years after joining Murray Johnstone, the independent Glasgow fund managers, Giles Weaver is to become its managing director. He will take over as md from Nick McAndrew, currently chairman and md, when McAndrew becomes executive chairman at the end of June, and should succeed McAndrew, 58, when the latter retires from an executive role in two years' time.

Weaver, 46, was recruited to Murray Johnstone in 1990 from the Prudential where he ran pension funds. Murray Johnstone needed him as investment director to stop a haemorrhage of pension clients who had been dismayed by the company's poor investment performance. Weaver improved communication with clients and re-positioned the funds in the market. The pension fund performance duly improved.

The engaging Weaver, who will stay in charge of pensions at Murray Johnstone, joined the Prudential in 1986 from Ivory & Sime, the Edinburgh fund managers. The move to Murray Johnstone meant a return to Scotland, though Weaver does not have the negligible commuting time of many Scottish fund managers. He lives in East Lothian and drives nearly 70 miles to Glasgow early every morning, eschewing news programmes for full text recordings of the classics of English and French literature.

With Weaver's promotion Stephen Anderson will take charge of the UK department and David Briggs will take over responsibility for investment trusts.



Keith Clark, 48, has been elected senior partner of the London based international law firm Clifford Chance. He has been elected for a five-year term in succession to Nigel Fox Bassett who has been senior partner since May 1990.

Clifford Chance – the UK's largest law firm with 230 partners – was formed in 1987 through a merger of Clifford Turner and Coward Chance.

Clark joined Coward Chance in 1971 where he specialised in banking and finance. He was made a partner in 1977. Since 1981, however, he has been particularly involved in sovereign debt restructuring and recently has taken the lead in the development of Clifford Chance's central and eastern European practice.

Geoffrey Howe, the firm's managing partner, describes Clark as a good communicator and long-term stategist.

He will take up his role in May after a short sabbatical.

Lee chooses to do it himself

Des Lee, information technology director at B&Q, Kingfisher's do-it-yourself retailer, resigned unexpectedly last week.

Lee, who says the separation from B&Q was entirely amicable, is one of the best known figures in UK data processing management. News of his departure spread quickly through the digital grapevine and brought a number of job offers.

But Lee, life president of the UK IBM computer-users' association, says he is in no hurry to return to full-time employment. He will carry out a number of consultancy projects over the next few months, some of them for B&Q, and then decide his future. His departure from B&Q seems to have been a consequence of the arrival last year of Alan Smith as chief executive; he has been busy establishing a new direction for the company and bringing in his own senior staff to help him implement it.

Lee's dp achievements include Limnet, the London insurance market system, installed while he was head of IT at Lloyds of London, and B&Q's supply chain system – which he modestly describes as Britain's best.

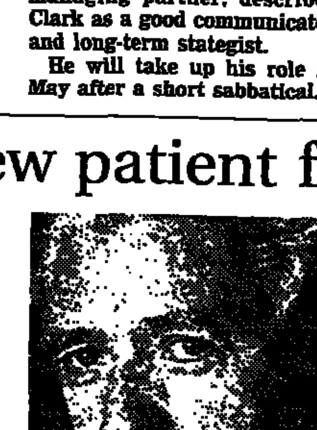
- **John Roberts**, formerly md of Post Office Counters, has been appointed chairman of Post Office Counters and of Subscription Services, on the retirement of **Ken Young**, and md of group services. **Richard Close** becomes md finance for the POST OFFICE.
- **Duncan Whyte**, finance director, has been appointed chief operating officer, electricity supply, and **Michael Smith**, marketing and distribution director, has been appointed chief operating officer, developing businesses, of SCOTTISH POWER. A finance director is being recruited.
- **Tony Pike**, formerly md of Schering Industrial Products, has been appointed md of SCHERING Agrochemicals.
- **David Cheesman**, formerly a UK investments director at 3i, has joined TRINITY CAPITAL PARTNERS; **Mark Rowlinson**, formerly deputy financial controller at 3i, has been appointed finance director of LONDON GENERAL TRANSPORT SERVICES, a subsidiary of London Buses.

Bricom: new patient for McCann

Tony McCann, who has been given the job of breathing new life into the heavily indebted Bricom industrial conglomerate, knows full well the perils of being a company doctor. You tend to get called in when everyone else has failed and your reputation suffers if you can't revive the corporate patient.

In terms of company doctors, McCann, 52, is not in the same league as the likes of Sir Lewis Robertson and David James, and after a couple of unsuccessful rescue attempts – Harland Simon and Astra – he needs to chalk up a success if he is to make a reputation for industrial turnrounds.

The attraction of McCann's latest challenge is that he is inheriting a group with some good companies and, unlike the Harland Simon case, he says that he is "assured of the banks' support".



Originally a management buy-out of the non-financial interests of British & Commonwealth, Bricom has lurched from one financial disaster to another. It was bought by a Swedish investor group in June 1990 that itself later collapsed and was taken over just over a year later by Sweden's Nordbanken.

The latter then had to be rescued by the government and Bricom's ultimate parent is now the state-owned Securum, formed at the beginning of 1993 to take over Nordbanken's loans and bad debts.

McCann, who was found through headhunters, has been given the job of developing a motley collection of businesses which include passenger and cargo handlers Serviceair; ANC, the parcel delivery service; and Neville & Gladstone office supplies. They have a total turnover of around £300m a year.

McCann is a relatively recent recruit to the ranks of company doctors. He spent 17 years at Black & Decker before moving to Sunbeam International and then Littlewoods where he was managing director of the mail order business. His first rescue job was Astra Holdings. Although he was unable to prevent the receivers being called in, he describes it as "a moderately successful outcome for the banks, though less so for the shareholders".

Meanwhile, Lord Eden, the former conservative MP, has stepped down as Bricom's non-executive chairman, along with chief executive Allan Jonnes, and executive director Matt McBride.

Architecture/**Colin Amery**

An American room in London

Welcome to London, Frank Lloyd Wright. You are one of the key architects of the 20th century and the arrival of one of your rooms in its entirety, with all its furniture and curious timber idiosyncrasies at our fabled and august Victoria and Albert Museum, is indeed a cause for celebration.

It was way back in 1974 that Edgar Kaufmann Jnr of New York City gave to the V&A a most generous gift: the office Frank Lloyd Wright had designed in the 1930s for his father at the family-owned business, the Kaufmann Department store in Pittsburg, Pennsylvania.

I remember Edgar Kaufmann Jnr well. I often met him in New York at his Park Avenue apartment where he sat in rather chill state beneath a great Rodin bronze contemplating one of the finest of Monet's "Waterlilies". He had been delighted to donate the Frank Lloyd Wright room to the V&A because he wanted to see the architect represented in Europe, and he had a strong admiration of the V&A and its then director Sir John Pope-Hennessy. Sir John, in his later years at the museum, was keen to acquire important things of quality from the 20th century.

The subject of the gift was always a hard one to raise with Mr Kaufmann. He was very sore indeed about the whole subject of the V&A and it is nothing less than a tragedy that he died in 1989, having waited 15 years for something to happen. If he had lived, I think he would have been pleased to see the installation and appreciate the trouble that the excellent curator, Christopher Wilk, has taken.

Frank Lloyd Wright is not as well known here as might be expected. The new biography of him by Meryle Secrest (Chatto and Windus, £20.00) does little to further our knowledge of his architecture, and achieves the remarkable feat of making his fascinating, wild and contentious private life and his strange Welsh origins completely boring. So what is the average visitor to make of this fine room, and how does this American architect and designer fit into the museum's view of the 20th century?

Frank Lloyd Wright

Wright was born in 1867 and lived until 1959 (almost an exact contemporary of Sir Edwin Lutyens) and, apart from being one of the most brilliant and prolific architect designers of the 20th century, he also devised theories of life and design that are appropriate to any architectural debate today. He invented what he called "organic architecture", which was the basis of a unifying theory of architecture as a discipline that embraced structure, materials and ornament, and which included the design of the interior, the furniture, the textiles and everything to do with a building as part of one work of art.

By the end of his life he had designed over 1,000 buildings and built more than 400. He reinvented the American house and created environments of simple elegance and repose that owed not a little to his interest in the orient. The Kaufmann room reflects the patron's interest in commissioning the finest of contemporary designs for his department stores – and for his own houses: Edgar Kaufmann commissioned one of Wright's most wonderful private homes, "Falling Water", in the forests of Western Pennsylvania.

Edgar Kaufmann, father and son, were important clients for Wright. They seem to have revived his career in the Depression years of the 1930s. At "Falling Water" the Kaufmann family enabled Wright to crystallise his vision of man in union with nature. The house is open to the public and shows Wright at his best.

The V&A's room will act as a marker: that the 20th century is important, and that a key part of its architectural story is now international. The room has been accurately re-erected and is surrounded by impressive Wright artefacts which the V&A has recently acquired. The accompanying book by Christopher Wilk is a model of scholarly research and an enjoyable read. The story of the room is a microcosm of the story of Wright's reputation and career.

The most important element of the room is the cypress and plywood mural over the desk. It looks like a plan of one of Wright's horizontally planned buildings – beautiful, especially in the way it fades into the surrounding timber walls. The yellow pattern in the furniture and carpets has proved fugitive and the room lacks colour. But in every other respect it is perfect, and seems to justify the whole idea of the "period room" as a didactic tool which is under threat at the V&A.

This installation is much to be welcomed. It is shaming that it had to wait so long and sad that so much of the funding had to come from America; but this in no way lessens the importance of the gifts. They are welcome and the exhibit is a brilliant example of international scholarship. May it not be the last.

Theatre/**Malcolm Rutherford**

Nigerian anger on the march

As I was passing the Nigerian High Commission in London the other day, I noticed that that the protestors have re-appeared. "Babangida, out, out!" and "Academic Freedom Now!" went some of the placards. The demonstration reminded me of the permanent vigil that used to be mounted just across the road outside the South African Embassy in Trafalgar Square. Some Nigerians are clearly becoming aware of the similarities between repressive regimes, black or white.

Nigeria has long been known for its chronic corruption. More recently there has been the repeated postponement by the military of the promised return to civilian rule. *Marching for Fausa*, the new play at the Royal Court Theatre Upstairs, suggests that the problems are getting worse, but also that there is an incipient rebellion by the educated young, and especially the women.

Fausa does not appear; she is the girl from university who is taken off to become the 11th concubine of the Minister of Culture. The potential uprising is about how long this sort of thing can go on. What happens when the oil, on which the country depends for a large part of its revenues, runs out? How long can coup succeed coup without fulfilling the promises of reform?

The authenticity of the background is not in doubt. Biyi Bandele, the young Nigerian author of the play, has been a journalist in his home country. *Fausa* captures beautifully the Nigerian claim that they have a relatively free press and the fact that practically everyone knows that it is manipulated. It can be just as corrupt as much of the rest of Nigerian society.

The other fact which anyone who has visited Nigeria will recognise immediately is the front room to the Minister's office. Here sits the secretary typing away, answering the telephone and firmly denying that the Minister is within. It costs the businessman, who thinks he has an appointment, 6,000 naira to get even a hint that he might see the Minister in the end.

Then there are the police. Decent fellows at heart, they become more desperate towards the close of the month as their salaries run out. It was lucky, one of them says to a victim of theft that he was robbed by Slow Poison Joe because he is the last of the gentleman burglars in town: he only wants to negotiate a deal in order to give the property back. With such corruption above them, why should ordinary people be more honest?

Fausa claims, however, that there are far more sinister forces at work. Young people disappear, not just *Fausa*, but others who may never leave prison again, and others who are murdered. A parallel with Argentina in the 1970s comes to mind and, as in Argentina, it is the mothers and the women in general who begin to protest: also one or two journalists.

The chief of the protesting journalists, and indeed the only one shown, is a young woman called Telani Belarabe played by Susan Aderin. She, too, ends in chains for her pains, her woman editor having sacked her for going beyond the bounds of a reporter's discretion.

Fausa is not yet a brilliant play. Even under Annie Castledine's direction, some of the flashbacks jar a bit and there is sometimes a spurious use of music. But it is remarkably mature for a writer is his mid-twenties and it is undeniable that it has something to say. The irony lies in the title which one is tempted to confuse as *Waiting for Fausa*. Are the potential rebels really marching, or are they just waiting in the hope that someone like Godot might turn up? Perhaps the answer is deliberately left ambiguous. Nevertheless, here is a sign of genuine, articulate Nigerian anger. The people from the High Commission ought to go and see it. So should the demonstrators, for at least it shows there is hope.

Marching for Fausa, Royal Court Upstairs, (071) 730 1745

Patrice Naiambana in Marching for Fausa

Opera/**Paul Griffiths**

Meistersinger at the Met

The plot of Wagner's bourgeois comedy may hinge on the matter of singing, but this, as much as any of his works, is also an opera for orchestra. The orchestra's is the first dramatic voice we hear, telling us about Eva's and Walther's side-long glances in church; then in the third act comes Wagner's most virtuoso study in opera without voices, for the mime episode of Beckmesser's sneaking into Sachs's workshop. Elsewhere too – in the kerfuffle at the end of the second act, or at the entry of the masters in the third – scenic events seem to be there as vehicles for orchestral luxury.

James Levine, who of course conducts the Met's new production, is not one to avoid his opportunities, and his patronage once again, as for the Ring here, of the team of Otto Schenk (producer) and Günther Schneider-Siemssen (sets) is not the action of a man keen to set some alternative fire alight on the stage. But he unfolds the orchestral splendour in a curious way. The overture is staggeringly dull, with a smooth string-led sound wherever possible and everything entombed in a perfectly even march tempo. Total absence of thrill. Total absence of heedlessness. And when, as so often, Mr Levine chooses to lavish care on a scene as a study in passacaglia or a sequence of motivic variations, the exercise is as self-contained and as unprovoking as if one were reading it in a treatise. The prelude to the third act, taken so slowly, by far exaggerates the premonitions of Parsifal; the playfulness of the apprentices as all lumpish – and thereby sadly consonant with their appearance and stage behaviour. Only the finale starts to come to life with a large, long breath, but then the achievement is mostly the impressive chorus's.

The cast is generally less secure. When Francisco Araiza gets to the prize song, one at last understands why he might want to be singing Walther: the sound is rapturous and the style good, both together well conveying the impression of a young nobleman. But he needs to save himself earlier in order to get there, and a feeling of strain hovers around. Karita Mattila as Eva also has her problems. She settles marvellously into here scene with Sachs, but before that her singing is inclined to skid off the rails – perhaps partly because she flails her arms about "girlishly". The quality of acting which Mr Schenk encourages or condones – no gesture too obvious, no cliché unusable, no reaction excessive – altogether passes belief.

Into this nightmare of staginess, with Mr Schneider-Siemssen's ponderous three dimensional construction out of a cheap fairy-tale book (a railway tunnel through which all can make their entrances in the last scene, with a Disneyland castle in the blue haze behind), comes Donald McIntyre as Sachs. He doesn't exactly sing the role, except for odd phrases of a sudden squared strength and firmness. But what he does do – musing through phrases with a head voice that goes right into falsetto, and slips to a pin drop whisper in the vast space; ruggedly tackling other sequences as if this were Schoenbergian sprechgesang – is astonishing. It's all the more so since he's on stage with a Pogner, Jan-Hendrik Rootering, who could clearly provide the most gloriously and gravely sung performance as Sachs. Mr Rootering offers far and away the surest musical satisfaction of the evening, and keeps his majestic figure aloof from the idiocies of the staging. But Mr McIntyre gives something more. In his honesty, and in his self-exposure, he seems to be alone on the stage. Or rather, he seems to be not on the stage at all, but telling us about some person and some story of far greater significance than we can see.

The understanding, the quiteness and the generosity he brings to the part make the opera's treatment of Beckmesser seem particularly cruel, and Hermann Prey's impersonation of the town clerk lacks the spitefulness that might have made the cruelty appear deserved. Lars Magnusson as David, once over some awkwardness, is a ray of light: young, fresh, daring of voice, and an engagingly easy stage personality. The incoherence of the whole makes his and David's cheery informality especially sympathetic.

**Die Meistersinger
Metropolitan, New York**

'Madness' tours the country

Love may be madness, yes. But it took the truly baroque mind of the Spanish playwright Lope de Vega to put love in a madhouse and to show madness inspiring love to new peaks. In a wonderful production of *Madness in Valencia* at London's Gate Theatre which is about to tour the country, two sane (and beautiful) people, Floriana and Erifila, are forced to take refuge in a lunatic asylum. Meeting there, they fall in love; and the madness all around them intensifies their passion and gives them new emotional freedom.

Men both sane and mad fall for Erifila and scheme to take advantage of her; other sane women fall for Floriano and enter the madhouse to be with him. As with *The Great Pretenders*, which the Gate staged this time last year, you not only follow the plot like a whodunnit, you are also kept on tenterhooks waiting to find out simply what kind of play this really is. Comedy or tragedy? The tone keeps shifting; you never know how it will end. Actually, the ending is the only weak point in the play – but that hardly matters, because it has been so riveting getting there.

The language of the play fluctuates likewise. In the first half-hour all the parlance is so prosaically unadorned that one presumes this is a play Lope dashed off in a hurry (he wrote hundreds); and one misses the astonishingly rich utterance of, say, his *Punishment without Revenge* – shown at the Gate in 1990. Then, however, in the madhouse, both comedy and poetry suddenly flower.

Though Floriano and Erifila fall in love with each other at once, each also assumes that the other is genuinely mad, and speaks aside in a stream of metaphors: "a blank mind in a perfect form," "a cathedral without a roof," "a golden chalice filled with air when it could hold the purest wine," "I'm standing looking at a madman, knowing full well I would follow him to the ends of the earth." The moon – which traditionally makes people *luna*-tic – is invoked every which way. "Any woman would be the moon that inspired this man's madness," "Even the moon and stars stare at you, such is your beauty."

Doors open on to the brilliantly educated baroque view of the world. Floriano (whose assumed name is Orlando Furioso) and Erifila become Lancelot and Guinevere to each other ("How's Gawain?" "Green with envy.") When Floriano is interrogated about love, he speaks with such fluent philosophical command that we are amazed, even though we know – unlike his audience onstage – that he is sane. David Johnston's prose translation underlines all the times when Lope's thought parallels Shakespeare's. Floriano reminds us of Edgar as poor Tom in *Lear*; and the play ends with the quip "All the world's a madhouse – and all the men and women merely mad."

Laurence Boswell's staging, as always, gives us changing riches in the little upper room that is the Gate. Paul Russell's simple series of curtains is eloquently used to suggest the baroque layerings of this topsy-turvy mad/sane world; and Rae Smith's costumes combine period flavour with intense characterisation. At first it bothers you that Simon Kunz has none of the beauty to which every female onstage credits him, but his playing has the fervent integrity to make you suspend disbelief. Caroline Loncq negotiates both tragic and comic sides of Erifila's situation with great charm and skill. The production's only miscalculation is in making the doctor behave like a slapstick madman.

This is the sixth play by Lope that I have seen. With each one, he appears a different and larger playwright, and more intoxicating; I shall soon have to start teaching myself Spanish. He makes theatre itself thrilling, even while he makes you see through it to the subject that he is dramatising so surely. I owe my introduction to four of these plays to Laurence Boswell's stagings at the Gate, and my gratitude, ever since the 1990 *Punishment without Revenge*, has been immense. Simply, these productions have been among the greatest boons of life in London.

Alastair Macaulay

'Madness in Valencia' starts its country-wide tour in Bournemouth on Jan 18 and ends in Valencia on March 2. Ring Box Office for details (071-229-0706)

INTERNATIONAL ARTS GUIDE

BERLIN

THEATRE
The Bob Wilson/Gertrude Stein music theatre piece Doctor Faustus Lights the Lights can be seen at Hebbel Theater daily till Sun (251 0144). Theater am Kurfürstendamm has daily performances of Neil Simon's Plaza Suite (882 3789). Schlosspark Theater repertory includes a new production of Alan Ayckbourn's Hero of the Day directed by Niels-Peter Rudolph (793 1515). Deutsches Theater has Sam Shepard's play True West and Hofmannsthal's political drama The Tower directed by Thomas Langhoff (287 1225). Berliner Ensemble has daily performances of Shakespeare's Pericles, directed by Peter Palitzsch (282 3160)
CONCERTS
Philharmonie Tonight: Yuri Temirkanov conducts Berlin Radio Symphony Orchestra in works by Rimsky-Korsakov, Sibelius and Shostakovich. *Tomorrow*: Sylvia McNair joins Roger Vignoles and members of the *Berlin Philharmonic in* music by Hindemith and Schumann. Wed, Thurs, Fri: Bernard Haitink conducts Mahler's Second Symphony. Jan 30, 31: Abbado *conducts* Beethoven (with piano soloist Maurizio Pollini). Feb 3, 4, 5: Abbado conducts Brahms (2548 8232)
Schauspielhaus *Tonight*: Daniel Nazareth conducts MDR Symphony Orchestra and Leipzig Radio Chorus in works by Mahler and Mozart. Thurs, Fri, Sat, Mon: *Michael Schoenwandt* conducts Berlin Symphony Orchestra in music by Weber, Rakhmaninov and Ravel (2090 2156)
OPERA/DANCE
Deutsche Oper *Tomorrow* and Fri: Don Giovanni with Wolfgang Brendel. Wed: Die Zauberflöte. Thurs and Sat: L'Italiana in Algeri with Simone Alaimo as Mustafa. *Sun: Macbeth with* Galina Kalinina and Simon Estes (341 0249)
Staatsoper unter den Linden Tomorrow and Wed: Horst Stein conducts *Berlin Staatskapelle* in works by Mozart and Strauss. *Thurs: Tiefland.* Fri: Carl Orff double bill. Sat: Berghaus-Gielen production of Pelléas et Mélisande. Sun: Tristan und Isolde. Next Mon: Dmitri Hvorostovsky song *recital* (200 4762)
Komische Oper Tonight and tomorrow: Johann Strauss' operetta Eine Nacht in Venedig. Wed: Entführung. Thurs: Dennis Russell Davies conducts Mahler's Sixth Symphony. *Fri: Harry* Kupfer's new production of Les *Contes d'Hoffmann*, designed by Hans Schavernoch, with Neil Wilson in title role. Sat: La bohème. Sun: Die Zauberflöte (229 2555)

GENEVA

● Marcello Viotti conducts the Suisse Romande Orchestra in works by Stravinsky, Lalo and Beethoven on Wed at Victoria Hall, with cello soloist Matt Haimovitz (311 2511). Fri (also *Thurs in Lausanne): Esa-Pekka* Salonen conducts Swedish Radio Symphony Orchestra, with piano soloist Christian Zacharias (310 6611)
● *Luisa Miller, staged by* Werner Schroeter and conducted by Carlo Rizzi, opens at the Grand Théâtre on Feb 1, with a cast including Kallen Esperian, *Thomas Allen and Neil Shicoff* (311 2311)
● Théâtre de Carouge has a final week of performances of Goldoni's play The Rustics *(tomorrow till Sun), followed by* a two-week run of Jacques Rampal's comedy Célimène et le Cardinal, inspired by Molière's Le Misanthrope (343 4343). Feb 2-6 at Comédie: Robert Wilson/ Gertrude Stein music theatre *piece Doctor Faustus Lights the* Lights (320 5001)

MILAN

Teatro alla Scala 20.00 Samuel Ramey song recital. Tomorrow, *Wed and Fri: Georg Solti* conducts Orchestra of La Scala in Bruckner's Eighth Symphony. Next Mon: Maurizio Pollini piano recital. Jan 29: first night of new *production of Bellini's Beatrice* di Tenda (7200 3744)

MONTE CARLO

Thomas Hampson sings the title role in Ambroise Thomas' rarely staged opera Hamlet on Wed, Fri and Sat at the Opéra. Lawrence Foster conducts a new production by John Cox (9216 2299)

NEW YORK

OPERA/DANCE
Metropolitan Opera James Levine conducts Otto Scenk's *new production of Meistersinger* tonight at 18.00 (repeated Sat afternoon, also Jan 26, 30, Feb 2, 6, 10). The cast includes Bernd Weikl, Hermann Prey, Karita *Mattila and Francisco Araiza.* Tomorrow and Fri: Donald Runnicles conducts Die Zauberflöte, with Dawn Upshaw. Wed and Sat evening: La bohème *with Leona Mitchell. Thurs: Un* ballo in maschera (362 6000)
State Theater New York City Ballet's repertory performances continue daily except Mon till Feb 21. This week's programme includes Peter Martins' new *ballet on Wed and Thurs. Entitled* Jazz (Six Syncopated Movements), the work is set to a commissioned score by Wynton Marsalis, whose ensemble provides the instrumental accompaniment (870 5570)
CONCERTS
Avery Fisher Hall Tomorrow's New York Philharmonic concert is conducted by Kurt Masur and includes Shostakovich's *Symphony No 13 with Sergei* Leiferkus. Wed: Jean-Pierre Ramphal is flute soloist with Orchestra of St Luke's conducted by Roger Norrington. Thurs, Fri morning, and next Tues: Masur conducts works by Stravinsky, Bach and Tchaikovsky, with piano soloist *Peter Serkin* (875 5030)
Carnegie Hall Christoph Eschenbach conducts Philadelphia Orchestra tomorrow in works by Picker, Beethoven *and Tchaikovsky, with violin* soloist Kyung-Wha Chung. Thurs and Fri: Mikhail Pletnev conducts Russian National Orchestra. Sat: Christoph von Dohnanyi conducts *Cleveland Orchestra in works* by Ives, Ran and Dvořák. Sun afternoon: Leon Fleisher is piano soloist with American Composers Orchestra conducted by Dennis *Russell Davies. Jan 27, 28:* Boston Symphony Orchestra. Feb 1: Muti conducts Philadelphia Orchestra (247 7800)

STRATFORD

ROYAL SHAKESPEARE COMPANY
The 1993/4 season opens with Hamlet and Richard III, which will run concurrently for six *weeks at the Royal Shakespeare* Theatre and Swan Theatre, opening on March 18. Hamlet will be a transfer from the Barbican of Adrian Noble's new production, starring Kenneth Branagh. Sam Mendes' *production of Richard III opened* at The Other Place last August, and has since toured widely at home and abroad. It is playing in London at the Donmar *Warehouse, with Simon Russell* Beale in the title role (0789-295623)

VIENNA

OPERA
The main event this week is the *world premiere tonight* at the Volksoper of Heinz Karl Gruber's new opera Gomorra (repeated on Thurs). The repertory also includes Die Zauberflöte, *Coppélia, Die Fledermaus and* Gottfried von Einem's opera Dantons Tod (51444 2959). At the Staatsoper tonight and Sat, Julia Varady, Matti Salminen and *Franz Grundheber head the cast* in Der fliegende Holländer. Tomorrow: Nutcracker. Wed: Der Rosenkavalier with Anna Tomowa-Sintow and Kurt Moll. *Thurs and Sun: La bohème with* Mara Zampieri. Fri: Il barbiere di Siviglia (51444 2955)
CONCERTS
Elisabeth Leonskaja joins *Guarneri Quartet tonight at the* Konzerthaus for a programme including Shostakovich's Piano Quintet. Tomorrow: Sian Edwards conducts Austrian Radio *Symphony Orchestra in works* by Ravel, Schumann, Janáček and Sibelius, with violin soloist Thomas Zehetmair (712 1211). The only event this week at the Musikverein is the Vienna Philharmonic's annual ball on Thurs (505 6525)
● Telephone sales of tickets *for the Staatsoper, Volksoper* and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

Menu with bewildering array of choices

Jurek Martin asks whether Clinton is able to make the tough decisions

The former senior Reagan administration official was ready to be charitable. "Of course Clinton's got the brains. You only had to look at the way he handled his economic summit in Little Rock to see that. No president I can think of could have pulled that off, and in sentences that made sense. But the real question – which we still don't know the answer to – is, can he choose?"

All presidents who enter office, as Bill Clinton does on Wednesday, with incomplete political résumés do so under a cloud of uncertainty. John Kennedy's maturity was doubted, as was Jimmy Carter's experience and Ronald Reagan's awareness of the real world. Old professionals, like LBJ, Gerald Ford and George Bush, occasioned fewer initial qualms.

Yet American democracy, more than any other, has an extraordinary capacity to revive, even sometimes to reinvent, itself. There is no preferred training ground for the White House, no political apprenticeship at the end of which a man (still only a man) is deemed qualified for the presidency. Of the last 11, from FDR to Clinton, four had been state governors, five prominent in Congress, one came from the military and one, the departing George Bush, was mostly a career public servant. Five moved up from the vice-presidency, three in emergency and one, Richard Nixon, after an eight-year wait in the wilderness.

Clinton will not be selective in his interests, as Bush was, or inclined to moralise

Sometimes it seems that the US is a country without a sense of political continuation. The list of notionally qualified men who never became president is very long. The authority of the two main political parties has been in decline for 25 years, to the point where last year the ultimate anti-politician, Ross Perot, won nearly one vote in five.

The circumstances of the 1930s Depression may explain the radical differences between Hoover and Roosevelt. But there was nothing comparable in the wind of the times to suggest that Reagan would actually carry out a policy agenda so very different not only from that of Carter, the Democrat, but also from the middle-of-the-road tenets of his own Republican party.

Yet this capacity to inject new blood and ideas into the body politic has also been America's strength, unnerving though it may occasionally seem to an outside world that must live with the elephant that is now the only superpower. Inside the country, it is nothing less than extraordinary to observe the extent to which the advent of Clinton is seen not as a high-risk gamble but as a window of opportunity to fix those parts of the national machine which have simply stopped working as they should. This same sense even extends to the prospect of renewed US leadership in tackling everything from Bosnia to Baghdad. It is not a bad initial mandate for a man elected with the second-lowest share of the vote this century.

Great expectations indeed are held out for Clinton, still just 46 years old, shaped by the turbulent 1960s, the first president born after the second world war and the first in modern times ever publicly to have opposed a war in which the US was actively engaged, with a wife as impressively well educated as himself, addicted to policymaking and golf, sometimes short of temper, worldly-wise but not well versed in the way the world works – in sum the self-proclaimed "different kind of Democrat". The question, as the old Reagan hand put it and as George Bush tried to say on the campaign trail, is whether or not he can take the tough decisions.

Some objective circumstances will make his beginning a little easier. First, he inherits an economy somewhat on the mend. Only the wilder optimists believe a new boom is round the corner. Consensus forecasts of about 3 per cent real growth in the year to come will not be sufficient much to reduce either unemployment (over 7 per cent) or the budget deficit (projected by the Bush administration at $300bn and rising). But if the deficit limits his freedom of action, at least he ought not to be hammered by a series of depressing monthly statistics in the immediate future.

Second, there is a will on the part of the Democrats who control Congress to work with him not against him, while the Republican party, especially in the House, is falling captive to those very conservative ideologues whose adversarial policies contributed to Bush's defeat. The Democrats seem to have heard former Vice-president Walter Mondale's warning that, if the party does to Clinton what it did to President Carter, it would spend the next 28 years in opposition.

In fact, its liberal wing is much weaker now, and Ted Kennedy, its leader, a man only with a past. Editorials in The New York Times, criticising Clinton for sending his daughter to a private school and for picking a Washington lobbyist, Ron Brown, as commerce secretary, do not carry the same potent menace.

Third, he has picked a cabinet widely approved for its apparent competence and its variety, except that three-quarters are, along with the Clintons themselves, lawyers by training. Commendation has, naturally, not been universal. Among the more vivid dissenters is the New Republic magazine, which falls into the muscular neo-liberal camp and which derisively describes Warren Christopher, the secretary of state-designate, as a "pragmatist mainstream realist liberal conservative moderate centrist" with the views of "a sphinx".

Several special-interest groups, including the American Jewish lobby and assorted trade and economic factions, have complained at their under-representation. Others have questioned Clinton's relentless search for women and members of minorities for senior positions. But the general impression is that the cabinet will not be short of ideas.

Finally, there is a palpable sense that Clinton is the man of the hour, someone who has set up his government so he can control it. He will not be disconnected, as Reagan was in his second term, nor selective in his interests, Bush's great failing, nor inclined to moralise, Carter's fatal tendency.

Washington can be a catty town, only too willing, as it is already doing, to keep a scorecard of campaign promises broken. But it also desperately wants a new social and political Camelot, even with a fondness for fast food. The New York Times gently wondered on its front page recently whether Clinton can live up to his billing as the new national "idol". One of his closest advisers has taken privately to calling him "the sun king". Public fascination with Hillary Clinton, who may well be the most distinctive first lady since Eleanor Roosevelt, is on an equivalent scale.

But, by definition, honeymoons do not last for ever. If the premise of the Clinton administration is to change things, so many issues demand attention, from healthcare to Bosnia, that a question of priorities instantly emerges.

Clinton *intends* to attack domestic issues first. That has been the thrust of the transition period, in the appointment of economic and social policy officials before anybody else, in the Little Rock economic summit, in his recent meetings with car industry leaders and with his budget team, and last week's with healthcare experts. He has engaged in some private foreign policy cramming, talking on the phone to foreign leaders, but even the likes of Boris Yeltsin, the Russian president, or John Major, Kiichi Miyazawa and Yitzhak Rabin, prime ministers of the UK, Japan and Israel, have had to accept undetermined places in the post-inauguration queue.

The domestic agenda promises to be heavy, embracing job creation and budget-cutting and reforms in healthcare, welfare and education. It will be heavy not only because of the complexities of the issues themselves and the budgetary constraints on them but because, the honeymoon notwithstanding, there is no great consensus over the right policy proposals.

The continued focus on a new petrol tax provides a classic illustration. Whatever the economic and environmental arguments in favour, the coalition of interests arrayed against – the oil and trucking industries, the public transport lobby, the rural constituencies, – remains powerful enough to bring about a legislative battle should the subject ever reach Congress.

Clinton will have to weigh very carefully the risks of being bogged down in such a quagmire on an issue that he ducked during the election against the possible knock-on effects on more prized, but equally contentious, reforms such as the introduction of universal healthcare. If cutting spending assumes its expected importance in the first term, he is going to need all the help he can get.

Just because the Democrats run Congress it cannot be assumed they will roll over and play dead at every presidential proposal transmitted from the other end of Pennsylvania Avenue. Clinton has the minor advantage that a quarter of the 103rd House of Representatives are new members, and many are imbued with attitudes close to his own. But that does not obviate the need to stroke Congress and to set clear legislative priorities, as Reagan did in 1981 but as Carter did not four years before. History suggests – and Bush, who lost control of the domestic agenda early on, would concur – that the first year is critical.

The US is the only superpower yet, even without the evil empire, the world is no safer

But history also attests to the pull on any president of foreign policy – and in this the challenge to Mr Clinton is radically different from that confronting his immediate predecessors. The US is now the only global superpower, yet, even without the evil empire, the world is no safer a place. As Bush said in a farewell address, the US cannot afford now to be "passive and aloof".

Clinton has been careful in the transition never to disagree with Bush on foreign policy. Indeed, freed of election constraints and the ever-cautious advice of James Baker, Bush's last 10 weeks have seen it pursued in what many suspect to be a Clintonian manner – particularly in the intervention in Somalia and the harder line on Bosnia. Bush has also tied up some outstanding business, such as nuclear arms control with Russia.

There seem to be two clear schools of thought abroad in the new administration: the emphasis on diplomatic negotiation, embodied in the appointment of Christopher, viewed not only by the disapproving New Republic as the star graduate of the Cyrus Vance school of foreign policy; and the more robust, even interventionist approach associated with Les Aspin at the Pentagon, Jim Woolsey at the CIA and, on Bosnia, with Anthony Lake, the new national security adviser in the White House.

Uneasily perched in the middle, at least until his term expires in September, is General Colin Powell, the esteemed chairman of the joint chiefs of staff. He has already expressed reservations about excessive cutting of the defence budget, reorganisation of the duties of the four military services and too reflexive a deployment of US forces overseas. There are powerful members of Congress, such as Senator Sam Nunn, head of the armed services committee, who share some of his opinions. Bipartisan political mileage may exist now for the use of force, but if three years hence US soldiers are still getting shot at in distant corners of the world, as they were in Vietnam, then the Republicans, and possibly Ross Perot, will have an election issue.

Nobody disputes that Clinton will lead an administration active in foreign policy, partly because of his inclinations and partly because events will demand it. But there is no clear sign yet of where, or how, he will want to get involved first. Relations with western Europe, however, could be seriously tricky, not only over the Balkans but over such issues as steel imports and Gatt in general. The Middle East peace process will demand early attention if it is to be kept on track. Russia cannot be ignored, nor, for different reasons, can Japan and China. Above all there are the issues of peacekeeping and peacemaking, not only in the current hotspots (Bosnia, Somalia, Iraq, Cambodia) but in a fistful of ethnic wars waiting to erupt.

At home and abroad, therefore, the Clinton plate is full. The big difference from his favourite fast food restaurant is that, at McDonald's, the choices are limited – and affordable.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Opportunity lost through ACT system

From Mr Michael Townsend.

Sir, As a UK tax adviser working in the Netherlands, I often walk into the brick wall that the ACT system erects on the use of the UK as a holding company jurisdiction ("Failure to act on surplus distorts companies' behaviour", January 12). While my European colleagues are able to expound the virtues of their tax systems in an attempt to create additional investment in their countries, the best advice I can give is normally to move investments from the UK. Every day I therefore witness lost business opportunities to other European countries directly caused by the UK's ACT system. The Department of Trade and Industry is right to be concerned.

I would whole-heartedly support an "international holding company" regime. Not only would that play to the strength of the professional service and banking sectors in the UK, it should also cause an increase of revenue for the government on the basis that the well-advised company would not come to the UK at present.

Such a regime could be successful. There would be a willing "sales force" in the professional community. Persuading the tax authorities to support their efforts would undoubtedly be more difficult. This could turn out to be a case for intervention before afternoon tea at the Inland Revenue.

Michael Townsend,
Noorderstraat 101,
1017 TT Amsterdam,
The Netherlands

Pension surpluses treatment may give rise to costly option

From Prof Christopher Gilbert.

Sir, I was interested to read the account of Prof Roy Goode's comments on pension fund surpluses ("Thorny questions for pension group", January 12). Whether or not a corporate pension fund surplus should be regarded as "akin to the rise in the value of a house" depends, I think, on the nature of the company's obligations in the event that the fund fails to generate a sufficient return to cover contractual or advertised target pension payments. If the company is obliged to underwrite the negative equity that arises in such circumstances but cannot realise surpluses in the converse situation, it is effectively being asked to write a put option on its investment portfolio. The implication is that it will need either to follow a very conservative investment policy or make an appropriate charge. While no one will decline the free gift arising from unexpected surpluses, it is not obvious that future pensioners would choose *ex ante* to purchase options of this sort.

Christopher L Gilbert,
Department of Economics,
Queen Mary and Westfield College,
Mile End Road,
London E1 4NS

Radical restructuring needed to increase house supply in UK

From Ms Sheila McKechnie.

Sir, Your suggestion on the phased abolition of Miras ("Housing choices", January 13) is sensible and could be marginally improved by linking it to notional rather than actual interest rates. Could we also call it mortgage subsidy?

However, fiscal changes are only one side of the housing equation. At present personal housing subsidies (housing benefit, Miras and income support to unemployed home-owners) amount to £13.3bn and bricks and mortar subsidies of £3.76bn. This produces little incentive to increase supply and results in the housing version of musical chairs where repossessed homes end up being occupied by homeless families on housing subsidy. This creates an unemployment and benefit trap for those looking for work and does nothing to stimulate house building and renovation, a key to wider economic recovery.

We now need to look at the supply and affordability of rented housing. I am afraid that that needs a much more radical restructuring than your "modest investment incentives for landlords".

Sheila McKechnie,
director,
Shelter,
88 Old Street,
London EC1V 9HU

Quango sets a lead

From Sir Ivor Cohen.

Sir, We note that Remploy appears in your list ("Patronage determines who serves at the top", January 14) of the Top 40 quangos for 1990-91 at number 27 showing expenditure of £191m. These figures may be misleading.

In fact, the government contribution to Remploy in the form of a subsidy to compensate for the extra costs of its disabled employees was £75m, including capital investment of £12m.

You are probably aware that Remploy is a private company, limited by guarantee, whose members are the directors who are in turn appointed by the secretary of state for employment. The company's objective is to employ severely disabled people who would not be able to find employment in a commercial environment and who would cost the state a similar amount in disability and other benefits.

The balance of Remploy's expenditure was covered by sales of £114m, including exports of £6m to countries such as the US, Japan, France and Germany. Remploy is a leading company in many of its core activities such as clothing, furniture, packaging and medical products. Sales last year rose to £120m, including £10m exports, demonstrating the highly commercial nature of the company in a recessionary environment.

Ivor Cohen,
chairman,
Remploy,
415 Edgware Road,
Cricklewood,
London NW2 6LR

Power levy a political 'quick fix' that would endanger industry

From Mr B C Bateman.

Sir, I was deeply concerned to read of proposals, reportedly gaining ministerial favour, to add a special levy to consumers electricity bills to solve the pit closure problem ("Pits rescue may need power levy", January 11).

One can understand well the problem that miners and British Coal face, but to suggest that it can "solved" by passing it on to others is almost beyond belief. It is no solution since:

● It will prop up the electricity supply industry which is already delivering the most expensive electricity in the European Community after Germany and Italy;

● It will give further credence to the fossil fuel levy – a charge which we have repeatedly urged should be transferred to the wider burden of taxation rather than to penalise a particular section of the community;

● It will impose significant extra charges on the paper and board industry as a big purchaser of electricity and coal;

● As proposed, it would appear an addition to the existing EC proposals to levy carbon based fuels (CO_2/energy tax); proposals which were originally believed to be part of the strategy to control climate change but are now unashamedly emerging as pure taxation and nothing else.

It seems that the administration is prepared to prejudice other mainstream UK industry for the sake of the political "quick fix" without the need for recognition or understanding of the long-term ramifications. Surely the factor is relative cost – industry and particularly large intensive users in competition with those abroad must have internationally competitive costs? Failure to grasp or act upon this simple imperative only encourages the demise of manufacturing industry in the UK.

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FINANCIAL TIMES
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Monday January 18 1993

Mr Miyazawa edges forward

THOSE WHO hoped that the Miyazawa doctrine, outlined in a speech by the Japanese prime minister in Bangkok at the weekend, would enunciate a set of clear principles and launch bold proposals for Asian economic and security co-operation will have been disappointed. He qualified Japan's commitment to democracy by stressing it would take a pragmatic approach to the development of human rights and made only one firm proposal – a forum to discuss the comprehensive development of Indo-China.

Yet the speech should be welcomed as the clearest sign yet that Japan is gradually developing a more strategic approach to foreign relations, independent of its US mentor. Japan has long had a vital economic role within Asia as a source of capital and as a market for goods. By proposing this forum, Mr Miyazawa has taken Japan a further step into the political domain. With the US and the European Community preoccupied in the Balkans and the Middle East, Mr Miyazawa provided a timely reminder that Asia has its own tinder box of territorial disputes and that over the next decade the region's fast-growing economies may use their wealth to fund an Asian arms race.

His speech was also important for what it ruled out – Japan's re-emergence as a military power and any ambition to create a trading bloc in response to the development of the EC or the North America Free Trade Association. It stressed the continued centrality of the US role in the region.

Asian security is underpinned by a complicated web of agreements: US alliances; growing collaboration between Asean states; the five-power defence agreement involving the UK, Australia, New Zealand, Malaysia and Singapore; Russia's military co-operation with China and its relations with Vietnam and North Korea.

This complexity cannot be distilled into a single forum modelled on the Conference of Security and Co-operation in Europe. So Mr Miyazawa quite sensibly stressed the importance of promoting overlapping discussions leading to a mutually recognised sense of interdependence.

However, the Miyazawa doctrine also implies the recognition of some difficult issues at home. His call for more open economies requires a more open Japanese rice market. His desire to defuse territorial conflicts points to a badly needed initiative from Tokyo on its dispute with Russia over islands known in Japan as the Northern Territories. These items are the short-term price of an emerging statesmanship from which Japan and the world have much to gain.

Contract trouble

CONTRACTING-OUT of services in the UK, an important part of the reform of Whitehall, appears to be threatened by the Transfer of Undertakings (Protection of Employment) Regulations 1981. These TUPE regulations implement the EC Acquired Rights Directive, which guarantees the employment rights of workers in mergers and acquisitions.

Judgments in the European Court of Justice have extended the scope of the directive to contracting-out of public services. Where an undertaking is deemed to have been transferred in such cases, the TUPE regulations apply. The contractor is thus obliged to take over existing staff and to maintain for a period their pay and conditions. In some cases, this is proving a barrier to the rapid improvement in efficiency of contracted out services.

Even where the TUPE rules turn out not to be a problem for the new contractor, they cause damaging confusion at the bidding stage, since it is often unclear whether a contract will count as a transfer of an undertaking until after the contract is signed. A contractor who assumes TUPE does not apply could end up with a loss-making contract if it does. If the bid is framed expecting TUPE to apply, it will almost certainly be underbid by a contractor who assumes it will not. This uncertainty could undermine the government's programme for market-testing civil service work, to be explained to a business audience at a conference in London today.

Ministers' response to the problem has been to ask the EC for a derogation from the directive under the procedures decided at the Edinburgh summit for enhancing subsidiarity. This is a sensible move but one without a strong chance of success, given the age of the directive and Britain's isolation on matters of social policy.

In the shorter term, the government's options are not attractive. It could accept, implicitly, that TUPE does apply to public-sector contracting-out, which would remove the confusion, but tend to entrench costs, or it could tell contractors that where a contract is unexpectedly judged to be subject to TUPE, government will carry the costs.

Social justice

THE Labour party's Commission on Social Justice meets for the first time today, to begin its ambitious work of devising policies for a fairer and more just society. The commission has been compared to the Beveridge Committee whose ground-breaking report 50 years ago provided a blueprint for the postwar welfare state. Similarly, radical thinking is needed in the 1990s, with increasing numbers dependent on social security benefits and equality of opportunity a sham for many.

The commission's chairman, Sir Gordon Borrie, has a remit to explore much more than taxation and social security. But resolving Labour's difficulties over tax and benefits is the most important task facing the commission.

At the last election, the centrepiece of Labour's programme was a commitment to raise the state pension by £5 a week and child benefit to £9.95 a week. Welcome though these increases would have been to the least well-off, they hardly represented the promised land. Yet because they had to be paid to all pensioners and families, the cost was £3.5bn – needing tax increases the electorate was not prepared to endorse. The lesson is that benefits paid to everyone are ineffective in tackling poverty. They cannot be high enough to meet real need without unacceptable taxation levels.

Universal benefits are also inefficient – too much money goes to those who have no need of it. Fifty years ago, paying benefits to all pensioners and families was a good way of targeting poverty. Today, it is no longer a struggle for most parents to feed and clothe their children. And while many pensioners depend on benefits, others have substantial income from occupational pensions. Money going to affluent families and woopies (well-off old people) could be better spent on those who struggle to make ends meet.

Sir Gordon's commission must convince Labour that providing sufficient help for those with the greatest need cannot be done with universal benefits. Instead, means-testing must be used to target resources on pensioners with inadequate occupational pensions, one-parent families and families with low-paid bread-winners. Mr John Smith, the Labour leader, appeared to pre-empt such a conclusion at the launch of the commission by his support for retaining the state pension and child benefit on a universal basis. Sir Gordon should not be inhibited by this declaration, but instead should see it as an indicator of the challenge his commission faces in changing Labour's thinking.

One important step in winning acceptance for greater targeting will be to address the justified fears of those who oppose more means-testing. In particular, new ideas are needed to increase the take-up of means-tested benefits – such as using computerised income tax records to target payments to those in need.

Ways must also be found to preserve incentives to work and save, since the withdrawal of benefits as income rises interacts with the tax system to leave many individuals scarcely better-off than before. To ease this poverty trap, the rate at which benefits are withdrawn as income rises needs to be reduced. The present rules which penalise pensioners with capital must also be changed if means-testing pensions is not to be a powerful disincentive to save for retirement.

Breaking away from universal benefits is, of course, only part of the agenda for social justice. The commission intends to investigate the underlying factors behind poverty, including inequalities in health and education. And it plans to probe the "middle-class welfare state" which provides expensive tax subsidies for those well-enough off to own a home. In all this, however, the answer will be more means-testing, not less. Since the electorate is unlikely to vote for higher taxes, more benefits for the have-nots must mean less for the haves.

Unless scarce resources are targeted on real need, Labour's aim of creating a more just society will remain illusory. The commission should think radically and Mr Smith should listen hard.

Banks launch root and branch reform

UK banks are trimming their high street presence and redesigning their remaining outlets, writes John Gapper

Mrs Geraldine Connolly has worked at the National Westminster Bank "since we sat on high stools under gas lamps and used quill pens". But as each day seems to bring news of branch closures, job losses and strikes in high street banks, she wonders how much longer her employment will last. Fortunately for Mrs Connolly, she happens to be sitting in one of the safest seats in NatWest's 2,700 branches.

She is a cashier at NatWest's branch near Victoria Station in London. It is an unusual bank. Posters of financial products are on display in the large front windows; the manager has no office, but wanders around the large open-plan service area; no screen protects Mrs Connolly. It looks more like a shop than a traditional bank, where customers queue for services in a narrow strip of space, peering through cashiers' screens at bank staff sitting at desks processing paper. This is NatWest's vision of the future. The bank is working towards two goals – to cut the number of branches and change those that are left. In five years, there will be 55 such open-plan branches in the West End of London – compared with 90 today, most of them traditional. All processing will be carried out in two centres.

Other banks are making similar moves. Royal Bank of Scotland plans to cut 3,500 staff in five years through branch restructuring, and TSB is cutting 840 jobs in order to merge its banking and insurance operations. It has upset staff so much that they staged a one-day strike this month, and another is due this week.

By the end of the decade, many high streets will lack a stone-fronted bank with a manager sitting imposingly behind a wooden desk. Instead, banks will look like the shops around them. There will be fewer in suburbia. "The high street is still important, but some suburban outlets that used to be valuable to us are less so now," says Mr Bill Gordon, managing director of Barclays' banking division.

The clearing banks acquired what Mr Gordon Pell, Lloyds Bank's Thames region director, calls their "bland, heavy" networks in three stages. First was the formation of national clearing banks in the last century; then came the big 1960s mergers, such as the one between the Westminster and National Provincial banks; finally came upgrading of sub-branches in the 1980s as financial services proliferated.

The result was an array of branches in which money was stored, cheques cashed, loans granted and paper shuffled. Staff were rotated around jobs to teach them each task. The banks made money by taking deposits, and gaining interest by lending it either on the financial markets or to businesses. Their presence on every high street made them the natural place for families to put funds.

Source: Corporate Intelligence Group Research; Abstract of Banking Statistics; Building Societies Yearbook. Source: CLSB. * Morgan Stanley Research estimates

But things have changed. The past decade has brought a number of financial, social and technological developments which have been increasingly disruptive:

- Banks have faced growing competition for cash deposits from institutions such as building societies. Many societies now offer a banking service. Furthermore, societies have built market share with smaller, cheaper branch networks. The Halifax, the largest, has just 750 branches and 20,000 staff. Its ratio of costs to income is 43.5 per cent, compared with an average of 66.7 per cent for large British banks.
- Technology is reducing the traditional British reliance on the cheque, and shifting business towards electronic payment systems that do not require branches. The number of cheques cleared fell last year after growing over the past 25 years. The banks' Association for Payment Clearing Services projects a big expansion in the use of teller machines to obtain cash, while cheque encashment gradually falls.
- As interest rates have declined since the UK's exit from the European exchange rate mechanism, retail banking has become less profitable. The banks calculate that base rates need to be at least 8 per cent to make traditional branch banking worthwhile, but they fear a decade of lower margins. Unless branches can be used to attract extra business, they are at risk.
- The banks are making lower profits because of badly judged corporate lending in the 1980s. Combined with a fall in the number of financial transactions, this has forced them to concentrate on lowering costs. Staff and premises, which accounted for £12.6bn of the £16.6bn total operating costs of large British banks last year, are obvious targets in the search for quick cost-cutting measures.

Yet for all these difficulties, the banks have not so far chosen to abandon branch networks. This is partly for negative reasons. It is hard to sell old-fashioned branches, and the pace of staff cuts has to be slow enough not to provoke the industrial action seen in TSB. There is also a fear among banks that they risk their share of more profitable customers' accounts if they leave suburban streets too rapidly.

Branch proximity is still the most popular reason for opening an account. "It would be fine if you could get rid of a branch and keep customers, but it's not that easy," says Mr Rod Barrett, a bank analyst at Goldman Sachs.

Furthermore, knowledge of local customers helps managers to assess risk. An analysis by Robert Fleming Securities found that the farther a business was from a branch, the more likely it was to default on loans. "Closing down branches may be self-defeating, because the quality of business in your remaining branches could worsen as a result," says Mr Hugh Pye, a banking analyst at Robert Fleming.

There are also positive reasons for keeping branches. Most banks believe they can raise profits by operating their networks differently. By taking the processing work out of branches, they can use the extra space to sell products such as insurance policies. This the reasoning behind TSB's insurance and banking merger, and NatWest's investment of £105m in a new insurance subsidiary this month.

A lot of space can be freed by removing back-office work. The branches traditionally allocated 80 per cent of space to staff, and 20 per cent to customers. Data processing machines can now sort cheques more cheaply in processing centres. Midland has gone furthest in adopting this strategy: all processing is now done at eight district centres.

Most banks want to end up with "clusters" of branches of different sizes offering different services. Processing and business lending will be done in a central branch, while the smaller branches offer retail services. In Watford, nine Lloyds branches have been turned into one central branch surrounded by five smaller ones. Businesses are served by managers by car from Hemel Hempstead, six miles away.

But altering branches is expensive. Converting a branch which has a traditional back office may cost about £250,000, and can run into millions. Banks are faced with big bills at a time when capital is scarce. To make such spending worthwhile, the new branches will have to produce higher returns. Whether they do so depends on the reaction of customers.

There is already evidence that they may not respond well. In 1988, Midland was a pioneer in dividing branches into different types to serve different categories of customers. It is now reconsidering. "The problem was that the customers lost a focal point for Midland, and they got confused," says Mr Brian Pearse, chief executive.

Midland is now breaking some of the barriers it erected. It wants to ensure that small business owners who visit a branch can also deal with personal accounts. This sounds suspiciously like a traditional branch, as Mr Pearse admits. But no bank thinks it will be enough just to do better what it has always done. To justify the cost of retraining and refitting, more customers have to use the branches.

Mr Peter Burt, Bank of Scotland's chief general manager, says this is a stiff task because customers who travel a long way to visit a supermarket will "hardly cross the street" to enter a bank. "To date, branches have been profitable, but will they be an asset or a liability in 10 or 20 years' time?" he muses. The bank branch may have been a staple of the British high street for many years, but there is no guarantee it will last there forever.

Samuel Brittan

Making the customer do the work

Middle-level officials in any organisation tend to treat their clients as a nuisance to be kept at bay. This is as true of private enterprise as of government organisations. The short-term costs of exit from a long-standing relationship with, for instance, a bank or building society are high; and customers will put up with a lot of contemptuous treatment rather than make the wrench.

The advent of the computer has made matters worse. Instead of this invention being used to make life easier for customers, it has been used to pile extra burdens on them. One of the worst examples is in standardised letters in relation to annual renewals, which make the client look up information which could much more conveniently be found by the organisation concerned. Too many renewal forms say something like: "If you have a standing order, do nothing. If you pay by cheque, do X. Ignore this letter if you have already paid."

In other words the sender of the demand cannot even be bothered to scan his records – which a computer could readily do – to ascertain the client's status and whether he has paid. All the checking has to be done at the receiving end.

This is breathtakingly unfair. Most of us do not have homes equipped as offices. A cheque may have come out of various books kept in different places; and we do not always have comprehensive lists of standing orders to hand. If we ask our bank for such a list, it would take time and may carry a substantial fee. Above all such research increases the amount of time required for activities which are neither leisure nor work but that most tedious of tasks – personal administration.

My most outrageous experience occurred after a five-day Christmas holiday in Rome. On return I found a computerised letter from my bank stating that it had not received payment on my credit card "for over a month" thus "leaving the account in arrears to the extent of £12". It went on to say that it was "not normally possible for a transaction to be authorised when an account is out of order", and warning of the resulting embarrassments.

I was not aware of the outstanding sum, but of course a communication could have been mislaid in the Christmas post. Despite the demand for instant satisfaction and despite the likelihood of holiday delays, the letter had been sent by second-class post. As I normally carry only one bank credit card in addition to the more satisfactory American Express card, I telephoned straight away, but received no reply after I had hung on for a very long time – a possibility that compilers of computer letters never take into account. Nevertheless I sent the required payment immediately and first class, with an accompanying letter.

The deviser of the system did not have the courtesy or intelligence to allow for time taken by his own organisation to process communications. Imagine my indignation when a week later I received a second and more sinister computer letter serving me with a default notice.

Small businessmen dependent on banks for finance have presumably far more about which to complain. Indeed I have been told that banks are very careful before taking on disgruntled customers from their so-called competitors.

British banks are behaving with all the ruthlessness that comes of weakness. Because their own profitability has been so undermined, they are taking it out on their smaller customers. Experienced observers tell me that the way to get genuine competition at the lower end of the banking system would be to unleash the building societies, who are still heavily restricted in most of their lending to houses and property.

Unfortunately the Bank of England is so desperately concerned with rebuilding bank profits that it is basically on the banks' side. But I will resist the temptation to say everything is the fault of official policy. It is up to the victims of banks and other private or public bureaucratic oligopolies to band together to fight back.

OBSERVER

With friends like that...

■ If any US newspaper might be expected to welcome a Democrat to the White House, it is surely the principled and liberal New York Times. Not so, however, if the editorials of America's most respected daily are a guide.

In rapid succession they have condemned the Clintons for sending their daughter to a private school in Washington, virtually called on Ron Brown to withdraw as commerce secretary because of his lobbying business, and said nearly the same about designated attorney general Zoe Baird for having employed illegal immigrants as housekeepers.

Yet a better summary of the paper's attitude to the incoming president may be provided by two other strictures. One is that he should set about soaking the rich and seeking ever bigger cuts in defence. The other is that reuniting Fleetwood Mac for his Inaugural shows appalling musical taste.

Could it be that The New York Times has finally woken up to the fact that Clinton is not a liberal? After all, Jimmy Carter wasn't either, and Fleetwood Mac were at their zenith when he held sway.

As if that weren't enough, the paper is now suggesting that the president-elect has been giving chosen Vice-president Al Gore the cold shoulder, not only squeezing him out of consultations about senior appointments, but even initially forgetting to invite the Gores to last month's glittering Washington dinner party.

Who knows, the next thing Clinton forgets may be to invite The New York Times to the White House? If so, the presidential honeymoon will be well and truly over.

Undercover

■ When is an an affiliate not an affiliate? When it's an "optional insert", if KPMG Peat Marwick is to be believed.

The world's biggest firm of accountants is so desperate to cultivate its lucrative Middle Eastern business that its new worldwide directory has a loose-leaf sheet at the front for its Israeli affiliate, labelled "optional insert".

Shame on them.

Yes and no

■ It is hard to believe that the poor old NatWest bosses involved in the Blue Arrow affair were the only bankers who had trouble understanding what a bank supervisor is saying, let alone thinking.

Fortunately, help is at hand. The Old Lady, the house magazine of the Bank of England, has a few tips on how to get the most out of a conversation with a bank supervisor. Rule number one: a banking supervisor never says yes. Rather, he "has no objection" to a particular suggestion – or, alternatively, he "takes comfort" from what is proposed.

It is also important to realise that a banking supervisor never says no. He simply confines himself to expressing the fact that he is uncomfortable.

'I just picked up my wife saying I'm a boring little twit and she's leaving me'

Switched on

■ Eyebrows will surely be raised by Lord Hanson's giving one of his top executives 20 months off to help Board of Trade president Michael Heseltine to interfere in British industry, under the guise of a secondment to the mechanical engineering "sponsorship division".

After all, Hanson was one of the fiercest critics of Hezza for precipitating the downfall of the noble lord's heroine, Lady Thatcher, and has always been regarded as on the laissez-faire wing of big business. The less government interference the better, would seem to be his motto.

Is Britain's best-known predator turning a little pink? Or could it be that the long-serving Ian Stewart, now 53, has been at a loose end since the particular company he headed, British Ever Ready, was sold to a US pet food firm last April?

It's hard to imagine Hanson operatives such as Tony Alexander or Tony Cotton being given such a long leave of absence.

TV soft-sell

■ Why is Sir David Frost monopolising the cream of Britain's political talent for his new Sunday morning TV show? First the prime minister, then the leader of the opposition, and now the chancellor of the exchequer. One by one they have made themselves available to be interviewed by the newly-knighted Frostie, before most people are awake

Norman Lamont escaped from yesterday's near 45-minute encounter without so much as a graze. He had no problem ducking tricky issues such as whether he should be taxed on the help he got paying his legal bills, or the circumstances under which he would resign.

At least Frost didn't feed the bird-watching chancellor soft questions about the Braer disaster. But then again, there was a marked lack of grilling about unemployment, which will soon top the 3m mark.

Perhaps Britain's politicians have learnt something from the recent US presidential election campaign where candidates made a point of avoiding the tough TV interviewers, preferring to submit themselves to the persiflage of chat-show hosts.

That being so, it would be sad if seasoned TV-types such as Jeremy Paxman, Brian Walden and Jonathan Dimbleby were henceforth relegated to interviewing political has-beens.

Prime evil

■ Meeting up with an architect and a politician, a doctor claimed his profession was older than theirs, saying: "God performed a surgical operation when he removed Adam's rib to create Eve."

"You're wrong," the architect objected. "At least a week earlier, he'd acted like any good architect in producing order out of chaos."

"And who made the chaos?", the politician replied.

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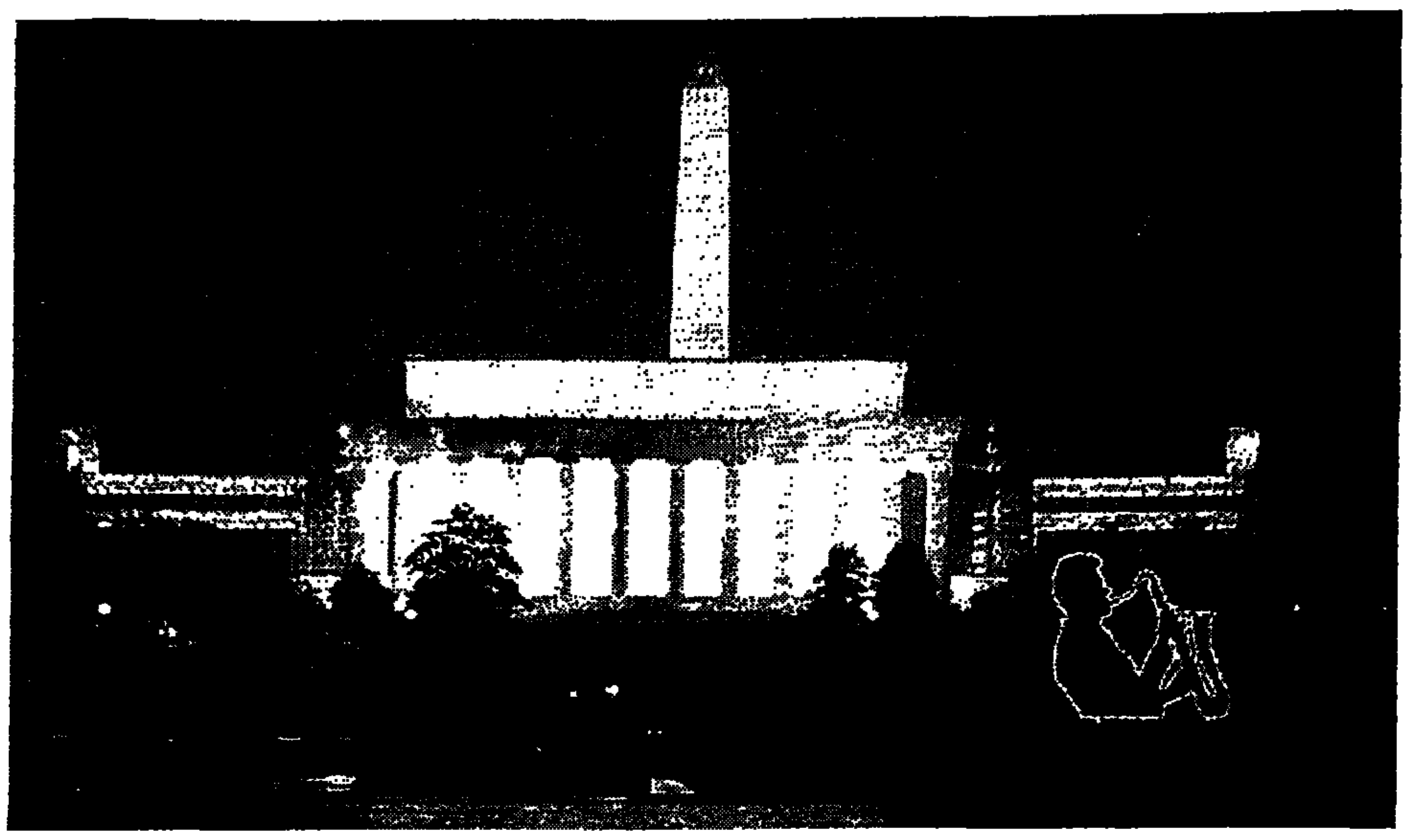


The image of president elect Bill Clinton is picked out in lights on a barge in front of the Washington Monument

Clinton faces chaos over staff

By George Graham in Washington

ONE of the recurring sounds of the last two months has been that of President-elect Bill Clinton saying how fully he supports outgoing President George Bush in his handling of foreign policy challenges such as Somalia and Iraq.

At home, however, there has been more friction between the departing Republicans and the arriving Democrats; in the days before Mr Bush hands over to his successor on Wednesday, relations between the two transition teams have turned sour over the question of jobs.

A new president in the US brings a turnover in federal staff unmatched in other western democracies, but the Clinton team has irritated the Bush officials handling the transition by asking for an unusually sweeping and immediate resignations.

The White House has taken the Clinton request literally, and will put the resignations of about 650 top officials, whose appointments are subject to Senate confirmation, into effect at noon on Wednesday.

This creates the potential for chaos, as Mr Clinton has fallen behind schedule in picking people to fill second- and third-tier jobs in his administration, and will have no one ready to pick up the reins of government.

Mr Kevin Moley, deputy secretary of health and human services, told the New York Times the resignations would highlight Clinton team's lack of expertise.

At the same time, however, the Bush administration has decided to give Mr Clinton no help in rooting out lower-level political appointees, whose resignations have also been asked for.

Despite Mr Clinton's early talk of including Republicans in his administration, it is clear there are too many Democrats looking for government jobs to keep more than a tiny handful of Bush appointees in office.

Nissan UK loses claim over franchise

By Kevin Done, Motor Industry Correspondent, in London

NISSAN UK, the former British importer and distributor of Nissan vehicles controlled by Mr Octav Botnar, has lost its claim for damages totalling several hundred million dollars against Nissan Motor, the Japanese car maker.

International arbitrators have ruled that Nissan Motor was justified in terminating NUK's lucrative distribution franchise at the end of 1990 and have dismissed NUK's claim for compensation.

The arbitration ruling is a heavy setback for Mr Botnar, the 79-year-old chairman of both Nissan UK Holdings and Automotive Financial Group Holdings, its associated company, which is one of the largest retail motor groups in Britain.

An NUK spokesman said last night: "Our reaction is one of disbelief that the efforts of a major company like Nissan UK, that built up the franchise with great success to the benefit of Nissan over 20 years, could be plundered and the company destroyed without a penny in compensation."

The arbitration was carried out under the rules of the Japan Commercial Arbitration Association as stipulated by the 1971 distribution agreement between NUK and Nissan Motor. Both the High Court and the Court of Appeal in London ruled that the case should be handled by the JCAA despite NUK objections.

A warrant, issued by the Inland Revenue at the end of January last year, is still outstanding for the arrest of Mr Botnar, who has controlled one of the most profitable privately-owned business groups in the UK with profits of £130m ($197.6m) in the year to July 1991.

Mr Botnar was abroad when the warrant was issued and now lives in Switzerland.

The trial is due to begin shortly in London of two of Mr Botnar's main business associates, Mr Michael Hunt and Mr Frank Shannon, who were arrested a year ago.

Mr Hunt, deputy chairman and assistant managing director of NUK, and Mr Shannon, a former NUK finance director, are charged with corporation tax fraud related to the manipulation of NUK profits.

The unanimous ruling against NUK by the three international arbitrators – two from the US and one from Japan – finally ends one part of the complex, long-running legal battles between Nissan Motor, Japan's second largest carmaker, and NUK, its importer/distributor since the beginning of the 1970s.

NUK had built the Nissan franchise into one of the UK's most lucrative automotive businesses.

Nissan Motor said the three international arbitrators had ruled that NUK had "violated" its distribution agreement with Nissan.

The main violation concerned NUK's transfer of shares in its car retailing subsidiaries to the associated company, Automotive Financial Group Holdings, without Nissan Motor's consent, and the subsequent transfer, also without consent, of a 71 per cent stake in AFGH to the Luxembourg subsidiary of Union Bank of Switzerland.

The arbitrators ruled that the breakdown of business relations between the Japanese car maker and its former UK importer also justified termination of NUK's franchise agreement.

"The behaviour of NUK with respect to its relations with Nissan Motor Company, taken as a whole, constituted a compelling reason for the agreement's termination and an alternative jusification for termination," said the arbitrators.

BDI seeks new east German wage move

By Quentin Peel and David Marsh in Cologne

THE most important single achievement of the German government's planned "solidarity pact" with unions, employers and the opposition should be the renegotiation of the current wage contracts in east Germany, according to the German federation of industry BDI.

The second key element would be the demonstration by all levels of government of a genuine capacity to cut spending, in order to finance the burden of transfers to the eastern economy, said Mr Tyll Necker, president of the BDI.

He maintained in an interview that neither of those elements is yet assured, although Mr Helmut Kohl, the German chancellor, has expressed his determination to complete the negotiations on all fronts by the end of the month.

Mr Necker backed the German Bundesbank for maintaining high interest rates, in order to keep up the pressure on both government and trade unions to accept restraint in public spending and wages respectively, in spite of the cost to German industry. Exporters in particular were feeling severe pressure from the resulting revaluation of the D-Mark, he said.

His words were countered on Saturday by Mr Edzard Reuter, chief executive of Daimler-Benz, Germany's largest industrial corporation, who sharply attacked the Bundesbank for maintaining its harsh monetary policy too long. He said it was a "dangerously wrong conclusion" as far as both the domestic and international economies were concerned.

Mr Necker warned that failure to postpone the 26 per cent pay rise due for east German engineering workers on April 1, as part of their long-term wage equalisation deal with western workers, would lead to a "catastrophic situation" for the remainder of east German manufacturing industry.

Talks which opened last week between IG-Metall, the engineering workers' union, and employers in eastern Germany, produced no progress in re-negotiating the deal.

As for a comprehensive government savings package, under negotiation again last night between Mr Kohl and his colleagues in the government coalition, the BDI leader said it was most important to create a "public awareness" of the need for drastic savings.

Mr Kohl's talks are aimed at producing a firm proposal on savings in government spending both in the current year, and in the medium-term, totalling some DM12bn ($7.5bn). Reports over the weekend confirmed that substantial cuts in social spending - totalling as much as DM7bn – were high on the agenda.

Miyazawa sets out strategy for Japan in Asia

Continued from Page 1

time atrocities. Noting that trade between Japan and the six-member Association of South East Asian Nations had been expanding at 20 per cent a year, Mr Miyazawa appealed for free trade, although he made no mention of Japan's reluctance to open its rice market to Asian and American exporters.

For Asian governments sceptical about the benefits of democracy and environmentalism, the most remarkable part of Mr Miyazawa's speech was his call for environmental conservation and his assertion that "to promote democratisation and advance fundamental human rights is a universal task for humankind".

However Mr Miyazawa quickly added that Japan would take "the approach it deems to be most pragmatic and effective in the light of each circumstance", and at a news conference afterwards said hasty, hardline action against military junta in Burma would be "counter-productive".

Japan's environmental credentials are as controversial as its stand on Burma. Thai environmentalists protested outside the Bangkok hotel where Mr Miyazawa made his speech, and issued a statement accusing Japanese companies of wrecking forests in Burma, Cambodia and Laos.

"In support of the timber trade with Burma and Thailand, Japanese official development assistance has provided 'forestry development' centres and millions of yen worth of machinery to log the mountain forests of Burma and northern Thailand," the statement said.

Mr Miyazawa said Japan would be providing more foreign aid, especially environment-related aid, in the years ahead.

Mr Miyazawa said that he wanted to host an international meeting in Tokyo in the autumn to prepare for his proposed forum.

World Weather

		°C	°F
Ajaccio	C	12	54
Algiers	S	18	64
Amsterdam	C	11	52
Athens	S	14	57
Bahrain	S	12	54
Bangkok	C	31	88
Barcelona	C	14	57
Beijing	S	-5	23
Beirut	S	14	57
Belfast	S	4	39
Belgrade	S	11	52
Berlin	S	12	54
Biarritz	S	16	61
Bombay	S	28	82
Bordeaux	S	14	57

		°C	°F
Boulogne	C	10	50
Brussels	S	10	50
Budapest	S	9	48
Buenos Aires	R	29	84
Cairo	S	17	63
Cape Town	S	24	75
Caracas	C	26	79
Casablanca †	S	15	59
Chicago †	S	-7	19
Cologne	S	12	54
Copenhagen	S	9	48
Corfu	S	14	57
Dallas †	F	6	43
Dublin	S	6	43
Dubrovnik	S	14	57
Edinburgh	H	3	37
Faro	C	14	57
Florence	C	10	50

		°C	°F
Frankfurt	S	9	48
Geneva	S	10	50
Gibraltar	C	15	59
Glasgow	H	2	36
Helsinki	C	0	32
Hong Kong	S	8	46
Innsbruck	S	9	48
Inverness	Sl	3	37
Islamabad	F	13	55
Istanbul	S	7	45
Jakarta	R	29	84
Johannesburg	F	32	90
Lisbon	S	10	50
London	F	11	52
Los Angeles †	F	13	55
Luxembourg	S	9	48
Madeira	C	18	64
Madrid	F	6	43

		°C	°F
Majorca	C	15	59
Malaga	F	16	61
Malta	C	15	59
Manila	C	31	88
Melbourne	F	27	81
Mexico City	F	24	75
Miami †	S	14	57
Milan	C	5	41
Montreal †	Sn	-1	30
Moscow	C	2	36
Munich	S	11	52
Nairobi		–	–
Naples	F	12	54
Nassau	R	30	86
New Delhi	S	14	57
New York †	C	-1	30
Nice	S	13	55
Nicosia	S	14	57

		°C	°F
Oporto	S	12	54
Oslo	Dr	7	45
Paris	S	11	52
Prague	S	13	55
Reykjavik	C	-2	28
Rhodes	S	16	61
Rio d'Janeiro	C	36	97
Rome	S	12	54
Salzburg	S	12	54
S'Francisco †	F	7	45
Seoul	Sn	-2	28
Singapore	R	25	77
Stockholm	R	7	45
Strasbourg	S	11	52
Sydney	S	35	95
Taipei	C	12	54
Tangier	S	17	63
Tel Aviv	S	13	55

		°C	°F
Tenerife	F	21	70
Tokyo	S	11	52
Toronto †	Dr	-2	28
Tunis	S	16	61
Valencia	C	14	57
Venice	C	6	43
Vienna	S	11	52
Warsaw	S	12	54
Washington †	F	1	34
Zurich	S	6	43

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Hanson's hard choices

The issue of $1.25bn-worth of medium-term debt in the US domestic market clearly shows that Hanson is still keen to borrow from a wide variety of sources. It also helps cement into the company's balance sheet a long-term structure with substantial dollar borrowings and even larger sterling deposits. Running the company this way offers Hanson a number of advantages. With US interest rates below those in the UK, sterling income far outweighs the dollar debt costs. Holding sterling deposits outside the UK also helps defer tax liabilities. But there are also risks, not least that with the US arm more heavily borrowed than the UK, Hanson's overall gearing will rise as the dollar appreciates against sterling.

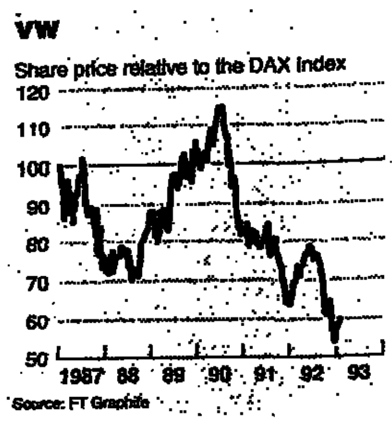
Yet the reasons for the financial structure may go beyond short-term financial gains. One way of looking at Hanson is to view the US business as a group of highly-geared companies which is sweated hard to service debt. Indeed, interest payments eat up about 30 per cent of US profits. By contrast, the sterling cash pile comes in large part from the disposal of assets and is available to finance acquisitions. Keeping the money on deposit may have made sense through the recession, but as short-term interest rates fall and recovery nears, real assets may offer better returns.

Hefty write-offs in the past, however, may have left the company with something of a problem. A cash acquisition accompanied by provisions or a goodwill write-off would raise gearing sharply. So Hanson must either avoid paying over book, or find more targets such as Beazer, Cavenham and Peabody whose balance sheets are too modest about their assets.

Government bonds

Even allowing for sterling's ignominious exit from the European exchange rate mechanism, a strong performance from French and German bonds this year might still help support the gilts market. The fundamentals are encouraging enough. Lower German interest rates are eagerly awaited in Paris. Even the hawkish Bundesbank is close to admitting inflation is no longer the main threat as the growth outlook has worsened. The worry is that European bond markets have barely faced up to the scale of future government borrowing.

The German government's plan to issue short-term paper for the first time might take some of the strain



Source: FT Graphite

from longer-dated bunds. Having seen 10-year yields fall by 1 percentage point since autumn, though, further gains will be hard won. France offers better prospects. If the franc escapes devaluation, the yield differential over Germany might be expected to narrow. But France faces a borrowing requirement of similar proportions to the UK this year. Even allowing for its enviable inflation record, that will still affect long-term interest rates.

European yields may thus not fall far enough to make gilts look cheap. Since 10-year gilts currently yield barely 1.5 percentage points more than bunds and 0.5 percentage points more than French bonds, they might quickly look expensive if inflation is seen creeping back alongside recovery. With so many European governments competing for funds, investors can afford to be choosy.

Prudential

The market was rightly impressed by full-year new business figures from Prudential. Even allowing for weak sales in 1991 while the sales force was being reorganised, maintaining regular premium business and increasing sales of single premium policies by one third must be counted a success. The Pru would doubtless prefer to sell more regular premium policies, which yield a higher margin and regular cash flow. But the reluctance of savers to make long-term commitments is a fact of recession. More important, the Pru seems to be holding its own against competition from bank assurance.

Sales figures from the likes of Lloyds Abbey Life and TSB last week suggested that selling life assurance to bank customers is no less vulnerable to recession. Lloyds Abbey's sales of regular premium business to Lloyds Bank customers were up 7 per cent. That marks a notable slowing in the rate of sales growth. TSB must be disappointed with a small decline in sales, even allowing for the fact that its business is more mature. With NatWest starting to peddle life assurance and TSB promising a sharper focus, though, Prudential might expect stiffer competition. It remains an open question whether new products – such as the successful Prudence Bond – and better management will be enough to meet the challenge.

Even so, the immediate outlook for earnings is encouraging. Having tackled the problems in overseas markets and general reinsurance last year, the performance of the Pru's core UK business was almost the last remaining reason for doubt. If lower interest rates and economic recovery encourage savers to be more adventurous, Prudential looks well placed to benefit.

Volkswagen

It is hard to read the political signals coming from the meeting of Volkswagen's supervisory board last week. Advance leaks suggested that substantial cuts in the expensive German workforce were on the way, particularly at the main Wolfsburg plant. Yet there was only a modest reduction in VW's capital investment plans and a vague commitment to job cuts worldwide. The most plausible interpretation is that the hard-headed new chairman, Mr Ferdinand Piëch, ran into opposition from the unions and Lower Saxony government, both strongly represented on the board.

The company still intends to invest an average of DM9bn a year in the main vehicles business for the next five years, while in 1993 and 1994 VW's cash inflow is unlikely to exceed DM6bn. Even VW's balance sheet will look less solid after such capital spending. And while work on the new Mosel plant is being slowed, that must be set against a possible contraction in the German car market of 20 per cent this year. Nor will job cuts in cheaper manufacturing locations offset the high price of German production.

While the shares bounced after the meeting, Mr Piëch's leadership will eventually be judged by his ability to cut Wolfsburg's costs, freeing up the cash flow needed for the ambitious international expansion plans. His determination is not in doubt. The will of his opponents has yet to be tested.

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FINANCIAL TIMES
COMPANIES & MARKETS
Monday January 18 1993

INSIDE

Escada to sell US knitwear stake

Escada, the troubled German fashion group, is to sell its stake in St John Knits of the US by April. Escada plans to use the proceeds of more than DM100m ($61.7m) to offset losses in the 1991-1992 year. It said in the year ended October 31 1992 it would suffer an operating loss of DM20m at the parent company and one of just under DM23m for the group. Page 13

Isosceles loses finance director

Isosceles, the heavily-indebted parent of the UK Gateway food retail chain, is to lose Mr Bob Nellist, its finance director. According to one of the group's advisers, it was decided that there was no need to have separate finance directors of Gateway and Isosceles. Page 12

Impending flood of UK gilts

Another gilt auction looms, and market practitioners are well aware they could see the issuance of as much as £1bn ($1.52bn) of gilt-edged stock per week in the next financial year. The impending flood of stock has left many in the market wondering just who will buy these gilts. Page 14

Insurer bucks the trend

The timing of the flotation this spring of Independent Insurance might seem surprising. Nobody has managed to float a UK general insurance company in 20 years and after three years of record losses, general insurers are not flavour of the month with investors. But Independent Insurance has won a reputation for bucking industry trends. Page 12

Prospective p/e ratio

The FT's daily London stock market page carries a price/earnings ratio for the "500" share index, part of the FT-Actuaries All-Share. This is an historic ratio, based on past earnings. Each Monday, in this space, we will also publish a prospective price/earnings ratio. This is calculated by IBES, based in New York. It reflects the consensus of earnings forecasts for the individual shares that make up the index, supplied by stock market analysts around the world.

The latest prospective p/e ratio for the "500" index for calendar 1993 is 13.7 This compares with an IBES estimated p/e for the "500" of 16.6 for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.33.

Market Statistics

Companies in this issue

Potential buyer found for stake in Johnson Matthey

By David Blackwell and Norma Cohen in London

CHARTER Consolidated, the industrial holding company in which Minorco, the investment vehicle of Anglo-American, holds 36 per cent, is in talks to sell its £364m ($553.3m) stake in Johnson Matthey, the precious metals group.

The 38.4 per cent stake is to be split, with one buyer acquiring just under 30 per cent of the share capital in order to avoid triggering a full bid for the company. Charter owns 70,923,400 ordinary shares, which closed at 513p on Friday.

Charter has been seeking a buyer for the stake for at least two years. It is also in talks about disposing of the remaining stake of at least 8.5 per cent.

The identity of the potential buyer of most of the shares has not been disclosed but is believed to be a company in the same industry. "Johnson Matthey's key concern is that the purchaser bring something of commercial value to the company," said Baring Brothers, adviser to Johnson Matthey. "It is most unlikely that the purchaser would be interested in making a full bid for Johnson Matthey."

Mr Jeffrey Herbert, Charter chief executive, noted that in spite of the size of the stake, Charter is unable to control Johnson Matthey directly.

Industry analysts speculate that Charter will use proceeds from the sale of its Johnson Matthey stake to buy out Minorco's holding in itself.

"At present it is not possible to say whether or not the current negotiations will be successful," Mr Herbert said. "Nevertheless it is in the interests of both Charter and Johnson Matthey to resolve the issue as quickly as possible."

Mr Gordon Thorburn, Johnson Matthey executive director of administration, said the company had been kept fully informed of the plans, which would be "very satisfactory" if the deal went through as discussed. One strong shareholder would be exchanged for another, he said.

Johnson Matthey, which employs 6,000 people in 25 countries, is the world's leading producer of platinum-based car anti-pollution catalysts. Last month it announced a 3 per cent increase in pre-tax profits to £33.2m and raised its interim dividend from 3p to 3.2p. It contributed £12.7m to Charter Consolidated's first-half profits, up from £12.5m.

Reichmanns focus on property management

By Bernard Simon in Toronto and Vanessa Houlder in London

CANADA'S Reichmann family is turning its energies to building a new property leasing and management company out of the ashes of Olympia & York Developments, the family-owned developer which filed for bankruptcy protection last May.

Under O&Y's debt-restructuring proposals, the property management business will be rolled into a new company, Olympia & York Properties (OYP). The creation of OYP depends on creditors' approval of the plan, which covers about two-thirds of O&Y's C$13.5bn ($10.5bn) debt.

The Reichmanns are concentrating on retaining management contracts for buildings likely to be seized by creditors in the course of the restructuring.

O&Y's restructuring plan describes OYP as a "viable, self-financing" operating company. According to tentative projections in a circular to creditors, OYP's revenue from management and leasing fees will be C$12m in 1994, rising to C$16m in 1998.

Mr Philip Reichmann, nephew of O&Y founder Mr Paul Reichmann, recently persuaded creditors of First Canadian Place, O&Y's former Toronto flagship, to re-engage O&Y as the building's operator, in spite of bids from other managers.

About a dozen of O&Y's 33 creditor groups have approved the restructuring proposals while four have rejected it. The remaining meetings, including a vote by unsecured creditors, are to take place over the next 10 days.

The Reichmanns face an uphill struggle to regain management of some of O&Y's most prestigious projects, including London's Canary Wharf. About 200 of O&Y's former estate management staff are now employed by Canary Wharf's administrator. But a new owner is likely to put the contract for the upkeep of the project out to tender.

Details, Page 13

Central banks are cutting bullion holdings, writes **Kenneth Gooding**

Gold stocks lose their lustre

Gold mining companies are casting a nervous eye at the world's central banks. They are beginning to realise that the huge stocks of gold in the banks' vaults, which they hoped were permanently locked away for protection against some unimaginable disaster, are for sale after all.

The industry's fears intensified last week when the Dutch central bank revealed it had sold a quarter of the gold in its reserves – 400 tonnes, equivalent to more than 20 per cent of all the gold mined last year.

The world's central banks hold 35,000 tonnes of gold – a mountain that dwarfs annual production of about 1,750 tonnes. It represents a substantial potential new source of supply which threatens to depress gold prices further, even though they are already near their lowest levels for seven years.

The Dutch bank sold its gold towards the end of 1992. It was following the example of Belgium's central bank which sold 202 tonnes earlier in the year. Canada's central bank has been steadily reducing its gold stocks for 10 years, selling about 10 tonnes a month. Between them, these three banks contributed more to total world gold supply in 1992 than output from South Africa, the biggest producer.

"The gold market has been transformed," says Mr Andy Smith, precious metals specialist at the Union Bank of Switzerland. "For 150 years central banks built up a big buffer stock of gold which kept the price artificially high."

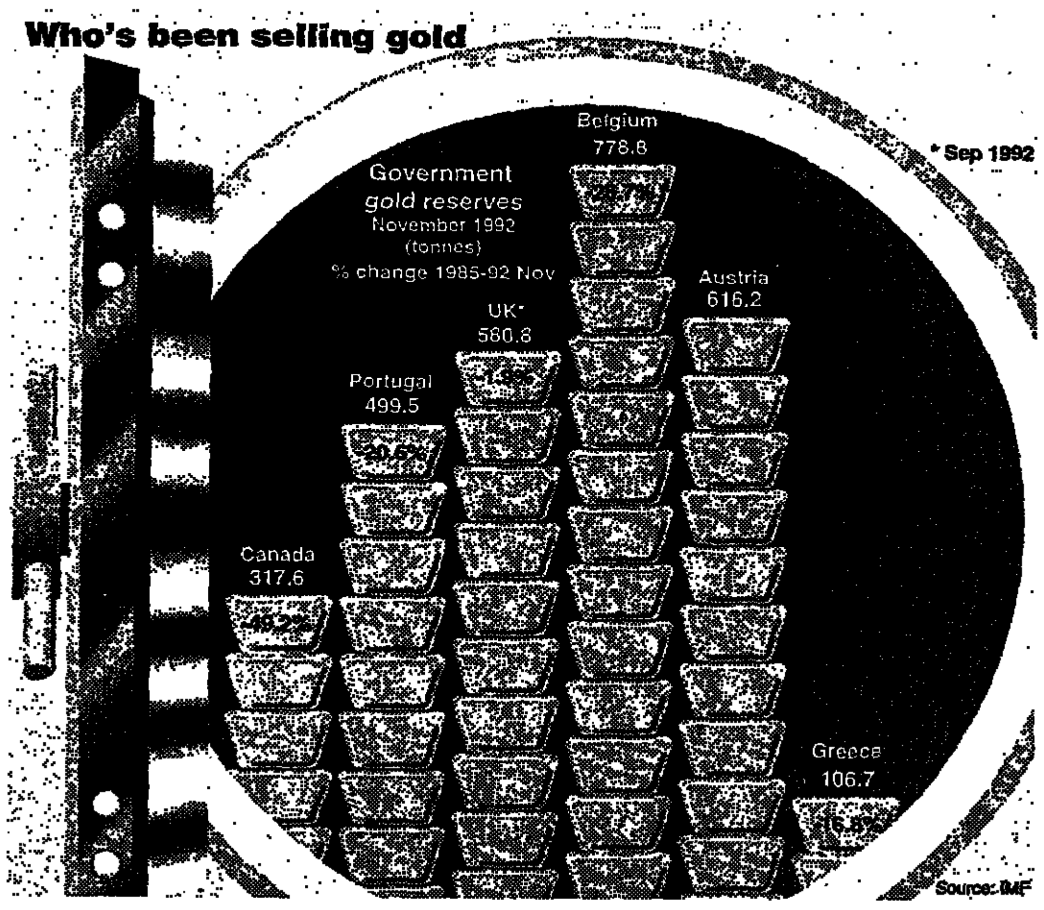
But in recent years forces for change have emerged. Most important, gold finally lost its formal role in the international monetary system when the US authorities stopped exchanging it for dollars during the 1970s.

Central banks rarely change their policies quickly. But growing pressures on the banks from their governments to earn a return on their reserves have increased their willingness to reduce gold stocks which are earning no interest.

Pressure to reduce bullion holdings has also increased because of the poor investment gold has represented. Mr Ricky Hall, assistant general manager of the Bank of International Settlements, the central bankers' bank, says that, even at a modest compound interest rate of 6 per cent, gold bought 10 years ago at $459.25 an ounce would be worth $823 an ounce instead of today's $330.

Mr Smith from UBS estimates that if the reserves of the eight largest holders, which together account for more than 85 per cent of officially declared central bank gold, were invested instead in bonds at current international interest rates, they would yield about $20bn a year. Switzerland's reserves would yield more than $550 for each citizen every year.

With this in mind, some central banks have started to "mobilise" their gold by lending some to the market. Up to 800 tonnes of central bank gold is on loan to commercial banks and producers at any one time.



Growing pressures on the banks from their governments to earn a return on their reserves have increased their willingness to reduce gold stocks which are earning no interest.

Producers have been keen to borrow this gold because with interest rates typically only 0.5 per cent it costs much less than borrowing money, while the banks are willing to lend when they are sure producers will be able to repay from future mine output.

Recently, central banks began offering "call" options on gold. As these give the option holder the right to buy at a future date at a pre-determined price they indicated the central banks' increasing willingness to sell rather than merely lend.

Another indication of such willingness has been the use of metal from official reserves to produce gold coins. Belgium, for example, began issuing gold Ecu coins in 1987.

The first big outright sales of central banks' gold started last year. Until then, their total holdings had remained fairly constant.

Mr Steward Murray, chief executive of the Gold Fields Minerals Services consultancy organisation says there had been little change in the 1980s. But he adds that "the proportion of gold within total reserves has declined because of the explosion in foreign exchange holdings and a weaker gold price."

European central banks, which own about 40 per cent of the world's official gold reserves, have a special reason to reduce their gold stocks. Mr Smith points out that moves towards a single European currency would reduce the principal need for reserves – intervention in currency markets.

As a result, many bullion market analysts have been predicting that some European central banks will seek to reduce their gold holdings before the implementation of legislation for a new European central bank which may require each EC member to deposit a proportion of its reserves with the institution.

Such thinking seems to have been in the minds of the Belgian and Dutch central banks.

Mr Smith points out that the sales did little to increase government income. Only a very small proportion of the proceeds is transferable to ministries of finance – and in both cases this represented less than 2 per cent of the country's budget deficit.

The Dutch central bank said this week it had acted after "several months of deliberation" so, says Mr Smith, "this was not a panic sale. It was premeditated. It was strategic, not tactical."

Mr Smith believes central banks may become net sellers of about 700 tonnes of gold a year in the 1990s. He says: "Selling gold will be just part of a day's work for a central bank, not an admission that the financial world, as investors know it, is about to end." Investors in the gold market are unlikely to feel reassured.

Time to appraise the role of the Group of Seven

Economics Notebook

By Peter Norman

Rarely has the world economy faced so many difficulties and rarely have international policymakers appeared so incapable of dealing with them.

Inadequate growth, rising unemployment, the Uruguay Round of trade liberalisation talks and the integration of the former Communist states into the mainstream global economy pose challenges for governments in nearly all industrialised countries. Businesses everywhere talk of globalisation and interdependence. And yet nations have problems working together for a more prosperous world.

The Group of Seven – the US, Japan, Germany, France, the UK, Italy and Canada – has become a forum for squabbles. It presents a sorry picture to Mr Lloyd Bentsen, the incoming US Treasury Secretary, and Mr Lawrence Summers, who is expected to become the senior US Treasury official responsible for international affairs. Mr Bentsen indicated last week that he wanted to revive the group. He could have a big task on his hands.

By last year, when it had become clear that the 1990s would be no easy decade, there were hopes that adversity would foster solidarity among the G7 members. But whether on big issues, such as the Gatt trade talks, or relatively small but important matters, such as a $700m fund to make safe Soviet-built nuclear power stations, the G7 record has been one of issuing fine sounding statements followed by no result, or worse, a deterioration of relations inside the group.

It is as well the G7 is not obliged to issue an annual report on its activities.

- A year ago, finance ministers in Garden City, Long Island, pledged to strengthen world economic growth. But no initiatives followed. Indeed, all countries stuck to their existing policies.
- In April, Russia topped the finance ministers' agenda, partly because the G7 could not agree how to foster growth. Perhaps nobody can have a coherent answer to Russia's problems. But the G7's response of help for self-help has been niggardly compared with the support provided by Germany for the former east Germany.
- Well before July's Munich world economic summit, it was clear it would decide second-best solutions to the problems of sluggish global activity, the Gatt talks and support for former Soviet republics and eastern Europe. One aim of the summit had been to boost consumer and business optimism. A week after the G7 leaders returned home, the Bundesbank raised its discount rate, dealing a blow to confidence and helping to set in train last autumn's crisis in the European Monetary System.

Munich showed how far the G7 member states had turned inwards. The US administration was focusing on November's election. Economic slowdown and political disarray were diverting Japan's attention. The EC countries' preoccupation with the Maastricht Treaty had intensified after the Danish referendum in June.

Indeed, the EC's problems and the EMS crisis overshadowed the September meeting of G7 finance ministers which was held three days after sterling's departure from the European exchange rate mechanism and on the eve of the French referendum on Maastricht.

Admittedly 1992 was an exceptionally grim year. But the G7 had been losing muscle since the mid-1980s when the group achieved some success in stabilising currencies.

Its efforts to control the dollar were successful largely because the member nations' economic policy priorities coincided and worked with the grain of the market.

The group has rarely proved capable of co-ordinating policies where contentious domestic political issues are involved. The G7 has to assume that the US Congress or the Bundesbank council will not listen to its exhortations. Repeated declarations on the need for a speedy conclusion of the Gatt trade talks have failed to bring the trade negotiators to agreement.

A specific weakness sapping the G7's strength is the imbalance arising from the increased strategic and political clout of the US relative to its economic power. The US is now the world's one undisputed superpower. But its share of world output has slipped to about a quarter from a half since the second world war. A decade of deficit spending under presidents Reagan and Bush has created constraints on economic policymaking.

The US aspires to lead in the G7. But its economic weakness results in its policymakers usually producing ideas that require others to pay the bill. The result has been acrimonious disputes over burden sharing between Germany and the US in particular.

It may be, as Mr Horst Köhler, state secretary in the Bonn finance ministry, suggested last week, that the vast changes in the world since 1989 have simply overstretched policymakers, in that they are having to adapt to too many problems in too short a time.

Another problem is that policymakers tend to be on different wavelengths. They rarely work from internationally agreed common data and it takes time to reach a common analysis.

A number of changes could improve the G7. One suggestion is to involve trade ministers in G7 talks in the same way as finance ministers.

But perhaps the time has come for a more thoroughgoing appraisal of the G7. Is it simply a fair weather system: something that countries can afford when the going is easy, but are quick to dump when conditions get tougher at home? How far can the group influence the global economy when it lacks links with China and has only the loosest of ties to developing countries? Does it make sense to include four members of the EC in the G7?

The jury is out on the G7. But fears that international economic and political relations could begin to resemble those of the 1930s are reason enough to hope that the international community can make more success of co-operation. Otherwise, as Mr David Hale, chief economist for the Chicago-based Kemper Financial Services, says: "The world could drift towards a cold peace more akin to the troubled years that followed the Treaty of Versailles rather than the prosperity which followed Bretton Woods."

Taurus delay to prolong stamp duty on shares

By Richard Waters in London

INVESTORS in UK shares face extra stamp duty costs of some £600m ($912m) as a result of another delay to Taurus, the paperless settlement system.

Brokers, registrars and others will today receive a letter from the London Stock Exchange setting a new target date for the launch of the system sometime in spring 1994 – at least six months later than the previous September launch date.

The abolition of the stamp duty tax on share transactions, promised by Mr John Major, then chancellor of the exchequer, in his Budget speech of 1990, was tied to the launch of Taurus, partly because it would become difficult to levy the duty under this new system.

The latest delay is to allow more time for testing the system. With some 280 financial institutions planning to link into the Taurus network, the testing process is not expected to be completed before the end of this year, according to the Stock Exchange's letter.

The longer testing period was urged on the exchange by financial institutions, which were concerned that not enough time was being allowed to try out the most complex part of the system.

This element, which deals with rights issues, takeovers and other events that affect shareholders' benefits, is not due to start full testing until the summer.

The launch of Taurus will not follow until several months after testing is finished.

Isosceles finance director to go in board shuffle

By Roland Rudd

ISOSCELES, the heavily-indebted parent of the Gateway food retail chain, is to lose Mr Bob Nellist, its finance director.

According to one of the group's advisers, it was decided that there was no need to have separate finance directors of Gateway and Isosceles. It is expected that Mr Geoff Cooper, Gateway's finance director, will fill Mr Nellist's position.

Mr David Simons, who recently joined as chief executive, is a former finance director of Storehouse. Mr Simons replaced Mr Alistair Mitchell-Innes who has returned to his non-executive role.

The financial restructuring of Isosceles continues to be negotiated between the company, its lenders and its shareholders. The group hopes to complete the talks by the end of March.

The company, which has debts of about £1.3bn, recently agreed the terms of a standstill arrangement with its lenders under which it will defer interest on its loans and its capital repayments until May 28.

The banks have also provided additional working capital facilities. The restructuring is expected to involve a sizeable debt-for-equity-swap, with mezzanine lenders' and shareholders' interests diluted.

Debt ratings lowered at slimmed-down Tarmac

By Tracy Corrigan

TARMAC, the UK construction group, has had its debt ratings lowered by IBCA, the credit rating agency, which cited the difficult trading environment.

Tarmac's long-term debt rating fell below investment grade, from BBB to BB+, while its commercial paper rating dropped from A3 to B. Its commercial paper is rated A3 by Moody's and P3 by Standard & Poors.

The group is expected to announce substantial pre-tax losses in the year to December 1992 after heavy exceptional charges.

According to IBCA, the £150m realised from disposals by December 1992, and the further £100m expected in the 1993 financial year, could be offset by a rise in dollar denominated debt and an anticipated cash outflow arising from reduced contracting workloads.

"Although the group has made some progress in disposing of peripheral activities and benefits from a relatively long-term debt structure, the near-term outlook for its core business profitability remains poor, and financial protection measures could well deteriorate further in 1993," IBCA concluded.

Butte agrees to A$3.5m bid for Australian subsidiary

By Kenneth Gooding, Mining Correspondent

BUTTE MINING, which is claiming damages of at least $325m (£214m) in the US against more than 70 former directors, advisers and investors, has agreed an A$3.5m (£1.6m) offer for its 77 per cent-owned Australian subsidiary, Perserverance Corporation.

The offer is from Central Queensland Gold Mine, which is 45 per cent-owned by Waverley Mining Finance, the Edinburgh-based investment company, with Westralian Resources Projects owning the rest. Waverley also owns 10 per cent of Westralian and 7 per cent of Butte.

Butte and its other Australian subsidiary, VAM, have given irrevocable undertakings to accept, subject to there being no higher offer for Perserverance before CQGM's one of 12 cents a share becomes unconditional.

Perserverance and VAM, two small gold mining companies, were taken over by Butte in 1990 and Mr David Lloyd-Jacob, chairman of Butte, said if the CQGM offer succeeded, Butte would have to write off about £12m in connection with these acquisitions.

However, the deal would relieve Butte of certain guarantees and the proceeds of the sale would be used to reduce indebtedness.

Mr William McLucas, managing director of Waverley, said the deal would enable his company to get back most of a loan made to Butte.

James Crean buys balance of Valley Fresh

By Peter Pearse

JAMES CREAN has spent $5.5m, or £3.61m, to acquire the 50 per cent of Valley Fresh Foods, of Turlock, California, that it did not already own and over which it had an option.

The Dublin-based food, household goods and industrial equipment wholesaler bought its original 50 per cent holding in Valley Fresh in 1990.

Crean said that the performance of the US processor and distributor of branded chicken products had been "very satisfactory" and that as a result it had decided to exercise its option to buy the balance.

In the 1991 year Crean lifted turnover to I£208.7m (I£179.7m), though pre-tax profits declined by more than I£1m to I£18.5m, or £16.9m.

However, it said at the time of the results that the comparisons were skewed by the investments in Valley Fresh and Egidius Janssen in the Netherlands in 1990 and by the consolidation of Valley Fresh's results into the 1991 accounts.

Reverting to old-fashioned policies

Richard Lapper reports on the proposed flotation of Independent Insurance

NOBODY has managed to float a UK general insurance company in more than 20 years, but the backers of Independent Insurance will try this spring.

The timing might seem surprising. After three years of record losses, general insurers are not exactly flavour of the month among investors.

Many companies have been forced either to withdraw from or scale back their involvement in the London insurance market, from which the Independent draws about 30 per cent of its income. One reason is that they have been unable to raise capital to support their businesses.

Yet in the six years since it was bought by the New Scotland Group from Allstate, the US insurance group, the 88-year-old Independent has won something of a reputation for bucking industry trends.

At a time when some illustrious rivals have recorded their worst losses, Independent has consistently made profits.

Growth has been financed partly from internal resources, while shareholders have also been tapped. It raised £10m, for example, in a rights issue earlier this month.

Premiums have grown by more than 400 per cent since 1987, reaching an estimated £130m in 1992. New Scotland Group, formed by a group of Scottish businessmen with the backing of institutional investors, such as 3i, County NatWest and Foreign & Colonial, has seen the value of its original investment of £15m nearly double.

Four senior managers – Mr Michael Bright, Mr Robert McCracken, Mr Philip Condon and Mr Alan Clarke – all recruited by New Scotland's founders, as well as 170 staff, who together own 8 per cent of the company, have seen the value of their shares rise.

Since 1991, Independent has been listed on the stock exchange under 535 rules, where trading is conducted on a matched bargain basis. It is now making the move to a full listing, making its shares more marketable and easing its access to fresh capital.

Life assurance, brokers, subsidiaries of foreign companies and the household appliance insurer, Domestic & General, have all obtained listings in recent years, but Independent will be the first general insurer to float for as long as most analysts and brokers can remember.

Detractors attribute the company's success to a policy of under-reserving against claims that might emerge in the future. It is a charge that Mr Bright, the company's managing director, vigorously denies.

Michael Bright (second left), chairman and managing director, with directors Alan Clarke, Robert McCracken and Philip Condon

He says that the reserves are low compared with the industry, but this reflects Independent's superior underwriting.

Mr McCracken, general manager, says Independent pays claims more speedily than its competitors. "Our reserves have been more than adequate. You may be able to get away with it for a year or two but it would be impossible to do this for more than six years."

Instead, Mr McCracken and Mr Bright insist that the reasons for the company's success are relatively simple. On the one hand, it has taken a fresh look at traditional management structures and technology. On the other, it has rigorously adhered to conservative underwriting disciplines and tightly controlled distribution.

Compared with its bigger and slower moving rivals, Independent has been quick to introduce a less bureaucratic management structure. Pay has been closely linked to performance and it has done without at least two layers of middle management, providing for quicker communication and more efficiency.

Expenses have stayed relatively high. Operating costs reached 43.2 per cent of net premium income in 1990, above the industry average. That figure included heavy expenditure on new technology and has fallen to 37 per cent in the first nine months of 1992.

Mr McCracken acknowledges that because of its approach to staff and training, the company will inevitably have relatively high expenses. But he says the effect has been offset by a more disciplined approach to underwriting and much better underwriting figures.

Independent has eschewed the rush for market share, which was highly fashionable among UK insurance companies as they adjusted to the more competitive markets of the late-1980s.

Instead it has been selective about the risks it underwrites, concentrating its business with a small group of brokers and spending more of its resources on examining and surveying the risks it underwrites. "Market share is irrelevant.

While many other insurers have dispensed with surveyors and other expensive technical staff, the Independent employs 50 surveyors and insists on carrying out its own detailed surveys of the factories and offices which it insures.

"We survey every single commercial risk before it goes on the books," says Mr McCracken. "It's an old-fashioned discipline. Thirty years ago no UK company would have dreamed of doing things any differently."

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Campbell Soup (US)	Arnotts (Australia)	Food	£381m	Increased offer
Hanson (UK)/Santa Fe Pacific (US)	Asset swap	Mining	est £324m	Coal for gold proposal
British Aerospace (UK)/ Taiwan Aerospace (Taiwan)	Joint venture	Aircraft manufacture	£240m	Deal nearing finalisation
Miller Brewing (US)	Molson Breweries (Canada)	Brewing	£177m	Taking 20% stake
RJR Nabisco (US)	Royal Brands (Spain)	Food	£95m	RJR offer for half
Thermo Instrument Systems (US)	Unit of Spectra Physics (Sweden)	Lab instruments	£45m	Non-core disposal
Hanwha Group (Korea)	Bank of Athens (Greece)	Banking	£22m	Privatisation sale
Polygram (Netherlands)	Nippon Phonogram (Japan) Polydor KK (Japan)	Music	£15m	Consolidating Japanese business
Renault (France)	Karosa (Czech)	Bus manufacture	£5.4m	34% stake planned
Wolters Kluwer (Netherlands)	Liber (Sweden)	Publishing	n/a	Scandinavian springboard

MUCH OF last week's international corporate activity involved strategic acquisitions of businesses or stakes in them, writes Brian Bollen.

Wolters Kluwer, the Dutch publisher, made its first purchase in Scandinavia, buying Liber of Sweden, giving it a springboard for further purchases in the region. Hanson's proposed swap of its US gold mining operations for the coal business of Santa Fe Pacific will reinforce its position as the world's second biggest private sector coal producer, if it goes ahead.

News that Tabacalera, Spain's state-controlled tobacco company, is negotiating the sale of its Royal Brands food business to RJR Nabisco, prompted United Biscuits to declare its interest in the company's biscuit brands.

Miller Brewing of the US bought a 20 per cent stake in Molson Breweries of Canada as part of a wider international alliance with Molson and Foster's Brewing of Australia. Polygram, the Netherlands-owned music and entertainment company, expanded its interests in Japan by increasing its stakes in Nippon Phonogram and Polydor KK.

In telecommunications, Swiss PTT Telecom joined Uniforce, the joint venture between PTT Telecom of the Netherlands and Sweden's Televerket, which provides data transmission services to European-based multinational companies.

Sweden's Spectra-Physics agreed to sell one of its US subsidiaries to Massachusetts-based Thermo Instrument Systems to help reduce group borrowings and focus on core business. Campbell Soup of the US said its increased offer for Arnotts, the Australian biscuit maker, was final.

Escada to sell US knitwear holding

ESCADA, the troubled German fashion group, is to sell its stake in St John Knits of the US by April, Reuter reports from Munich.

Escada, which last week declined to comment on reports that it planned to sell its stake of 83 per cent in St John, said the deal should be completed by April.

The fashion company plans to use the proceeds of more than DM100m ($61.7m), to offset losses in the 1991-1992 year.

It said in the year ended October 31 1992 it would suffer an operating loss of DM20m at the parent company and one of just under DM23m for the group, of which DM17m was due to currency changes.

Escada has been hit by the weak economy as well as by currency turbulence. Founded by the late Mrs Margaretha Ley (she died in June last year) and her husband Wolfgang in 1976, it was one of the great success stories of German business in the mid to late 1980s.

The company was enthusiastically received when it came to the stock market in 1986 and between 1989 to 1991 its sales doubled to DM1.36bn.

It added that it was still undecided whether the 83 per cent stake would be sold to a group of investors, placed on the stock market, or sold to the Gray family that founded the company.

St John, the high quality knitwear business Escada bought in 1989, has about 1,500 employees and turnover of $81m.

The company said group turnover was about DM1.4bn, up from DM1.36bn previously.

Mr Hans Woetschaetzke, deputy chairman, said considerable value adjustments had to be made, especially in foreign subsidiaries. Together with the operating loss the total burden could be "slightly above" DM100m, he added. The company said it could not consider paying a dividend.

The goal is to break even in the year ending October 31 1993.

A phoenix rises from the ashes of Olympia & York

Bernard Simon reports on the efforts being taken by the Reichmann family to build a new empire

A reborn Olympia & York, centred on property management rather than development, is starting to take shape amid the crumbling Reichmann family empire.

Even as the Canadian property group struggles to win approval from creditors for an C$8.5bn ($6.6bn) debt-restructuring plan, the Reichmanns are working hard to retain management contracts for buildings which they developed and owned before O&Y sought bankruptcy protection last May.

Assuming the debt-restructuring goes through, the property management business will be hived off to a new company called Olympia & York Properties. Most of O&Y's other interests will remain under the existing holding company, Olympia & York Developments.

Four of 33 creditor groups have so far rejected the company's reorganisation proposals, but they are unlikely to jeopardise the plan as a whole. The most crucial vote on O&Y's future, by its unsecured lenders, will take place on January 25.

Under the restructuring plan, the Reichmann family will directly own 10 per cent of OYP and have at least one director on its board. (The remaining 90 per cent will be held by O&Y Developments which will be controlled for the foreseeable future by a court-appointed administrator.)

The family will also retain a 20 per cent stake in whatever remains of O&Y's US buildings.

Most visible in the effort to rebuild the family business is Mr Philip Reichmann, nephew of Mr Paul Reichmann, who masterminded O&Y's growth during the 70s and 80s into the world's biggest property developer.

Despite bids from other property management firms, Mr Philip Reichmann recently persuaded a group of creditors to re-engage O&Y as manager of First Canadian Place, the group's 72-storey flagship building in Toronto's financial district.

OYP is expected to be awarded management contracts for several other O&Y properties in Canada, even though it is on the point of having to relinquish ownership of some of the buildings.

New horizons: Toronto-based O&Y will move into property management rather than development

First Canadian Place creditors are among those who have rejected the debt-restructuring plan; they are now free to seize the 2.7m sq ft building, which was pledged as collateral on their loans.

According to a circular to creditors, OYP will be a "solvent, self-sustaining company".

The cornerstone of its sales pitch will be the Reichmanns' experience as property managers over the past 30 years. As a management rather than a development company, it will require relatively little capital, and will be starting off just as the North American commercial property cycle appears to be inching upward.

Mr Chris Ridebock, a principal at Canadian real estate brokers J. J. Barnicke, predicts there will be plenty of opportunity for the new company to diversify into areas such as health-care facilities and suburban industrial property, where growth is expected to be faster than commercial property over the next few years.

OYP's parentage also has distinct drawbacks. For instance, lenders taking over ownership of the world's biggest office building, at 55 Water Street in Lower Manhattan, are unlikely to retain O&Y to operate the building.

"We're just not satisfied with them," says an official of the Alabama State Retirement System, the biggest bondholder.

Prudential Assurance has already installed Enterprise Property Group, a fast-growing Canadian company, to take care of the 45-storey Aetna Centre in Toronto, which O&Y handed over to Prudential last month.

While the Reichmanns used to own the buildings they managed, they will face the challenge of dealing with a large number of outside owners, each with its own leasing strategy and reporting requirements.

Mr Stuart Lazire, president of Enterprise Property, says that "their organisation had a pretty good reputation, but they were a developer, not a service company. It's a whole different business that they're looking to get into."

Ottawa buys 15% of Hibernia development

By Bernard Simon in Toronto

THE CANADIAN government has come to the rescue of the country's most ambitious energy project by buying a 15 per cent stake in the Hibernia oil and gas development off the coast of Newfoundland.

The purchase, which is likely to be reduced to 8.5 per cent, is in addition to C$1bn (US$700m) in official grants and C$1.7bn in loan guarantees to attract private-sector participation in the C$5.2bn project.

Ottawa had to intervene or let Hibernia die when no outside investors stepped forward to buy the 25 per cent interest abandoned by Gulf Canada Resources last year. Gulf, which advised its partners to mothball the project, halted financial contributions last week when total spending on Hibernia passed C$1bn.

The government will cut its stake to 8.5 per cent once formalities are completed for Murphy Oil of Arkansas to buy a 6.5 per cent interest. The remainder of Gulf's interest will be split between two existing partners, Mobil Oil Canada and Chevron Canada Resources. Petro-Canada will retain a 25 per cent interest.

The government has been under strong political pressure to rescue the project which is widely seen as indispensable to the economy of Newfoundland, where unemployment is running at about 22 per cent.

Parmalat moves into Hungary

By Haig Simonian in Milan

PARMALAT, the fast-expanding Italian dairy foods group, is buying 60 per cent of Fejertej, a Hungarian dairy foods group, from the country's privatisation agency.

The acquisition, which is Parmalat's biggest venture so far in eastern Europe, is believed to have cost around L11.5bn ($7m). The group has already set up a small milk and yoghurt venture in Russia, and has also invested in the former east Germany.

Fejertej, which is one of Hungary's leading dairy products producers, has sales of around L85bn and operating profits of around L6bn. The company has 1,000 employees, and a market share of around 90 per cent in the Fejer and Komaron regions. Sales this year are forecast to rise to about L97bn.

Parmalat has the right to buy a further stake in Fejertej should its employees not take up options to buy shares at discounted prices within the next six months.

Parmalat, which will report its 1992 results early next month, has been expanding substantially outside Italy in recent years.

Aeromexico acquires Aeroperu stake

By Sally Bowen in Lima

AEROVIAS de Mexico, Aeromexico, has acquired 70 per cent of the Peruvian state airline Aeroperu for $54m.

The state is retaining a 20 per cent holding in the airline while the remaining 10 per cent goes to the company's employees.

Saturdays's auction was the second attempt at selling the ailing flag carrier, which has only five operational aircraft but attractive international routes.

In mid-December, Aeromexico was outbid by Peruvian shipping company Naviera Santa in association with domestic airline Faucett, with an apparently winning offer of $41m.

However, the privatisation committee later declared the airline's sale null and void, finding fault with details of the banking guarantees supplied by both bidders.

Resignation at Salomon

By Patrick Harverson in New York

SALOMON Brothers, the Wall Street securities house, said Mr Eric Rosenfeld, the co-head of its fixed-income department, is resigning from the firm.

Mr Rosenfeld, who took over Salomon's bond department in the immediate aftermath of the Treasury auction bidding scandal in August 1991, said he was leaving for personal reasons.

He also said his departure, which he had been considering for some time, was not related to the speculation that Salomon may rehire Mr John Meriwether, the bond trader who resigned as vice-chairman of the firm soon after the Treasury scandal broke.

Mr William McIntosh will assume sole for the department.

Turkey brings in new debt queueing system

By John Murray Brown in Ankara

TURKEY has introduced new rules on foreign borrowing. The decree comes amid concern over Turkey's growing foreign debt, which according to provisional figures to September has risen to $56bn, up from $50bn at the end of 1991.

The reform introduces a queueing system for all borrowing by government affiliated agencies to prevent the treasury being crowded out by other Turkish borrowers. Hitherto the system was applied only to loans which carried a government guarantee.

Officials said the new rule was aimed at "putting discipline back into the market".

The treasury is particularly anxious about the Ankara municipality. Rated BBB by Standard & Poor's, the US credit rating agency, the municipality has tapped both syndicated loan and bond markets to finance the $660m construction of the city's underground system.

The treasury guaranteed the municipality's latest borrowing – a $220m seven-year loan agreed before Christmas, the first tranche of a $455m facility for the Metro. The loan carries an interest rate of Libor plus 2.6 per cent, with a participation fee of 2.72 per cent.

Bankers view such margins as generous and officials were clearly worried the issue could be a very unfavourable benchmark for Turkish risk.

Part of Turkey's debt increase is due to disadvantageous cross rates, particularly the weak dollar against the D-Mark, which added almost $2bn to the debt stock in the third quarter.

Peugeot car sales slide

AUTOMOBILES Peugeot sold 2.4 per cent fewer new cars in Europe in 1992 as a disappointing showing in its domestic market overwhelmed a slight rise in other sales, Reuter reports from Paris.

The French company, the largest of two vehicle-making units within PSA Peugeot Citroën, said it sold 994,800 cars in 17 European countries in 1992, down from 1,018,800 in 1991.

PUBLIC NOTICE

Office of Fair Trading
Competition Act 1980
Variation of a competition reference to the Monopolies and Mergers Commission
Southdown Motor Services Limited
(now called Sussex Coastline Buses Limited)

The following variation has been made under section 6(6) of the Competition Act 1980: Whereas: (1) on 15 July 1992 the Director General of Fair Trading (the Director General') published a report ('the report') under section 3(10) of the Competition Act 1980 ('the Act') stating that a course of conduct pursued by Southdown Motor Services Ltd, now called Sussex Coastline Buses Ltd ('Southdown'), constituted an anti-competitive practice and that it was appropriate for him to make a reference to the Monopolies and Mergers Commission ('the Commission') under section 5(1) of the Act; (2) the Director General did not accept from Southdown any undertaking under section 4(3) of the Act which covered the course of conduct described in the report as constituting an anti-competitive practice; and (3) on 3 September 1992 the Director General in exercise of his powers under section 5(1) of the Act made a reference to the Commission specifying: (a) the person whose activities were to be investigated by the Commission as Southdown; (b) the services to which the investigation was to extend as local bus services in the Bognor Regis area (that is to say the area shown on the map on page 8 of the report); (c) the course of conduct to be investigated as the registration, operation and charging of uneconomic fares on local bus services with the intention of undermining the viability of the operations of a competitor; now therefore the Deputy Director General of the Office of Fair Trading, having been authorised by the Director General under paragraph 7 of Schedule 1 to the Fair Trading Act 1973, in exercise of the power under section 6(6) of the Act hereby restricts the scope of the said reference by excluding any course of conduct other than the registration, operation and charging of uneconomic fares on routes 242 and 262, or on any route substantially the same as route 242 and 262 operated by Southdown, with the intention of undermining the viability of the operations of a competitor.

Dated 12 January 1993.

Signed J W Preston, Deputy Director General of the Office of Fair Trading

A report on the reference, as varied, is to be made within the period ending on 17 March 1993. Anyone wanting to submit evidence to the Commission should write, as soon as possible, to: The Reference Secretary (Southdown Motor Services), Monopolies and Mergers Commission, 48 Carey Street, London WC2A 2JT.

LEGAL NOTICE

Company No: 1481996
Registered in England and Wales
INSOLVENCY ACT 1986
RESOLUTIONS OF BLOOMSBURY SQUARE ESTATE (HOLDINGS) LIMITED
PASSED

At an extraordinary general meeting of the above named company duly convened and held at St Andrew's House, 20 St Andrew Street, London EC4A 3AD on 5 January 1993 at 10.00 am, the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution. 1. That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily. 2. THAT A R Stanway and G I Rankin of Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AD be and are hereby appointed joint liquidators of the company.

Dated 5 January 1993

E J Cotter, Chairman

At a meeting of the creditors held on 5 January 1993 at 10.30 am the creditors confirmed the appointment of A R Stanway and G I Rankin as joint liquidators.

Signed

E J Cotter, Chairman

UK GILTS

Borrowing requirement is hard to ignore

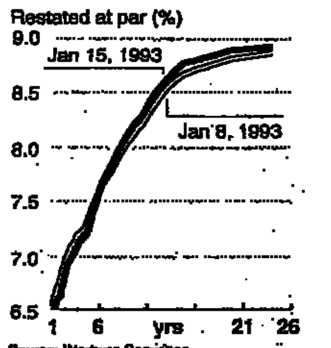
IT IS hard for the gilt-edged market to ignore the government's heavy borrowing requirement. Another gilt auction looms, and market practitioners are well aware they could see the issuance of as much as £1bn of gilt-edged stock per week in the next financial year.

The impending flood of stock has left many in the market wondering just who will buy these gilts. For many institutional investors, gilts represent only a small proportion of their total assets, and few seem to be contemplating a drastic change in strategy.

Mr David Shaw, bond director at Legal & General Investments, points out that "on valuation grounds, the [UK] equity market looks on the dear side both intrinsically and against overseas equities. Only against cash and gilts do [UK shares] look cheap. That cannot be good news for the government broker who needs to sell £50bn of gilts in 1993-1994".

UK gilts yield

Restated at par (%)



Source: Warburg Securities

Mr Shaw estimates that in 1992, only 24 per cent of UK institutions' cash flow went into buying gilts, but he warns that "the apparent burden on the UK investment institutions is forecast to rise from £9bn in 1992 to £28bn in 1993 . . . this would represent a diversion of 70 per cent of their expected cash inflow for next year into gilts".

To put that in perspective, he says, "even during the funding crisis of the middle 1970s those institutions' net new acquisition of gilts never exceeded 50 per cent of new cash inflows".

So far, there have been few signs that UK institutions are contemplating a dramatic shift in overall investment strategy. Those which are willing to boost exposure to fixed income investments are focusing more on the European and US bond markets rather than the UK government bond market.

Norwich Union says it expects the returns from the bond and equity markets to be lower this year than in the 1980s. Its with-profits fund is invested: 55 per cent in equities, split with 40 per cent in the UK and 15 per cent internationally; 25 per cent in fixed income, split 17 per cent in the UK and 8 per cent in other bond markets; and 20 per cent in property.

Norwich Union says it is not planning to boost its exposure to the gilt market, given the high returns it expects from the European and US bond markets.

Other UK institutions tend to have a lower exposure to the gilt-edged market than Norwich Union. Rothschild Asset Management has emphasised its commitment to the international fixed income markets in view of the looming recessions and poor prospects for equities under such economic conditions.

But it has also stressed its preference for overseas bonds rather than UK government debt. The UK government's heavy funding programme is seen as a serious concern, with the result that RAM feels more comfortable about prospects for UK equities (given the hope of an economic recovery in the UK and the positive effects of the sterling devaluation on corporate profits) than for the gilt market.

It says the UK pension funds under management are invested with about 60 per cent of the money in UK equities, 3-4 per cent in conventional gilts, 2 per cent in index-linked gilts, 7 per cent in overseas bonds, and 22 per cent in non-UK equities.

Mr John Cozens, assistant director of Prudential Portfolio Managers, says PPM is underweight in gilts with less than 5 per cent of the total sterling investments in UK government bonds, while it is slightly overweight in UK equities, with about 85 per cent of sterling investments in UK shares.

These attitudes are hardly encouraging for the gilt market. Mr Shaw of L&G concludes that the government may have to reduce its funding requirement considerably using various means including a temporary suspension of the full funding rule and higher taxes.

Sara Webb

ITALIAN BONDS

D-Mark issue may boost treasury's confidence

BY increasing its debut D-Mark Eurobond to DM5bn from DM4bn last week, the Republic of Italy highlighted the level of interest in its paper, in spite of uncertainties over the government and bankers' discontent about the liquidation of the Efim state holding company.

The Deutsche Bank-led deal should give the treasury confidence to issue further Eurobonds to reduce its over-dependence on the domestic bond market.

Economists have long called on Italy to diversify its borrowings in view of punishing levels of lira interest rates. With the new government having sought to cut spending and raise revenues through a L93,000bn ($62bn) 1993 budget reduction package, by far the bulk of the budget deficit now comes from interest payments on past debt.

In the past three years, Italy has extended its debt profile. First seven, then 10-year domestic bonds were introduced, to a warm welcome from investors. The longer-term paper has allowed the treasury to improve debt management by reducing its exposure to market every time a huge slice of short-term bills has to be rolled over.

However, short-term paper of less than a year's maturity remains the mainstay of the debt mountain. Only gradually will longer term domestic issues, and, just possibly, more Eurobonds, bite into the stock of debt, making it easier to manage, and, the authorities hope, cheaper to finance.

Last week's D-Mark deal showed it could be done. The current 5 percentage point spread between five-year D-Mark and lira interest rates highlights the appeal of borrowing in the German currency. True, there is an exchange rate risk, but most economists believe the lira-DM exchange rate of around L925 seriously undervalues the Italian currency. The treasury could even come out at a profit.

Borrowing D-Marks also allows the Italians to replenish their heavily depleted reserves and perhaps build up ammunition for future defences once the lira re-enters the exchange rate mechanism.

Tapping the D-Mark market could also help the Bank of Italy repay the Bundesbank the L27,000bn in assistance given during last year's foreign exchange turmoil, although some economists believe the bulk has already been repaid.

A further boost to Italy's coffers could come with formal approval today from EC finance ministers for an Ecu8bn multi-tranche balance of payments loan, approved by the EC's monetary committee last week.

Mr Mario Draghi, the treasury's director-general, says Italy could raise up to $15bn this year on the Euromarkets.

Mr Draghi stressed the $10bn to $15bn borrowing range was not a fixed target, but would depend on market conditions and bankers' advice. But with their first D-Mark deal successfully put away, the temptation will surely be to press on.

Domestic political factors play an important part in that calculation. For Mr Giuliano Amato's government, success on the international capital markets has far wider implications than might be expected.

After the buffeting of the Efim affair and last year's downgrading of its credit rating, Italian ministers have heralded the D-Mark bond as a sign of restored confidence and recognition that Italy's finances are on the mend.

Hence bankers are wondering how the Italians will divide the rest of the money they would like to borrow in 1993. More D-Mark issues are a strong possibility, given the attractive terms for last week's Italy bond.

The conclusion is that Italy will launch many more transactions – when virtually guaranteed of their success.

Haig Simonian

US MONEY AND CREDIT

Period of uncertainty over policy shape

THE LOW level of US inflation pleased the Treasury bond market late last week. But the market is in for a period of uncertainty until the Clinton administration's economic policies take more concrete shape.

On Friday, when fresh data for December showed the consumer price index was just 2.9 per cent for the whole of 1992, investors responded by boosting by ¾ the price of the benchmark 30-year Treasury issue, bringing the yield down to 7.34 per cent from 7.39 per cent the day before.

While on the one hand the inflation numbers imply more space for fiscal stimuli if Mr Clinton goes ahead with his campaign pledge to bolster the US recovery, the levels of both wholesale and retail inflation were encouraging to bond investors since they were lower than the market expected.

As such they might provide more room for manoeuvre on the fiscal front if the danger of significant reflation resulting from stimuli is deemed to be not so great after all.

In addition, the market took heart as incoming Clinton administration officials, led by Mr Lloyd Bentsen, the new treasury secretary, and Mr Leon Panetta, the new director of the Office of Management and Budget (OMB), indicated that cutting the deficit was a top priority.

Mr Panetta, however, told Congress that President-elect Bill Clinton would not be presenting a detailed budget plan until March.

Bill Clinton, who takes office this week with a mandate to do something about the US economy, will be keen to be seen to be taking action

This suggests that despite the fairly bullish tone of the market, uncertainty will result from the tug-of-war between the deficit-cutting advocates on the Clinton team and those favouring a fiscal stimulus spending package.

Those who say a fiscal stimulus package is the priority, despite evidence that the US economy is beginning to recover from recession and stagnation, make the plausible case that the relative strength of the recovery is being overestimated.

These advocates also note that employment growth is still lagging behind the rise in output, and is likely to continue to do so in the absence of some job creation policies.

The pro-stimulus camp also claims that a fiscal boost could help cure some of the more structural problems of the US economy and thus be more than a short-term measure.

A more realistic and powerful explanation for the Clinton camp's enthusiasm for a fiscal stimulus package was offered by the market-watchers at Nomura last week, who said it was "simply political".

It is of course true that Mr Clinton, who takes office this week with a mandate to do something about the state of the US economy, will be keen to show himself to be taking action.

But there are signs that the new administration could also launch a fairly modest package that meets its political requirements, but falls well short of the kinds of expectations raised by last year's election campaign.

Back on the deficit front, there will equally be a bonus for the Clinton administration if it has the courage to increase taxes, perhaps on some consumer goods or petrol.

But the applause for such a move could be louder on Wall Street than in mainstream America. S.G. Warburg reckons that an announcement of such a tax, or even of plans to study one, could knock as much as 50 basis points off the long bond's yield, which at present levels would bring it beneath the 7 per cent mark.

Quite how the Fed's stance on interest rates will be affected by Mr Clinton's economic policies is hard to say.

While this week's presidential inauguration will dominate headlines, the bond market will be just as keen to see what Mr Alan Greenspan, chairman of the Federal Reserve, has to say about monetary policy when he appears next week before the Joint Economic Committee.

Alan Friedman

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABB INTL FIN 6 3/8 96	200	102	[illegible]	5.65
ABBEY NATIONAL 9 3/4 94	200	105½	[illegible]	4.53
ABN 9 1/8 94	200	106¼	[illegible]	4.71
AETNA LIFE & CAS 7 3/4 16	200	102⅝	[illegible]	7.50
ALBERTA PROVINCE 8 5/8 96	750	108½	[illegible]	6.08
ALBERTA PROVINCE 9 3/8 95	600	109¼	[illegible]	5.48
AMERICAN EXPRESS 0 00	450	53	[illegible]	8.36
AMERICAN GENERAL 9 3/4 95	100	109	[illegible]	5.69
AMERICAN INTL 0 04	750	41¼	[illegible]	7.97
AMOCO CANADA 7 1/4 02	250	100⅝	[illegible]	7.15
ASFINAG 7 3/8 02	200	102¼	[illegible]	7.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
SEARS EURO TRUST 8 3/4 96	750	107	[illegible]	6.28
SEARS O/S FIN ZERO 98	500	64½	[illegible]	8.27
SEARS ROEBUCK EURO 9 3/4 95	500	107¼	[illegible]	5.94
SKANDINAVISKA ENSK 7 3/8 97	500	100¼	[illegible]	7.32
SNCF 7 1/4 94	175	103		4.22
SNCF 9 1/2 98	150	113¼	[illegible]	6.54
SPAIN 6 1/2 99	1500	98¼	[illegible]	6.86
STATE BK NSW 8 1/2 96	200	106⅜	[illegible]	6.21
STATOIL 7 5/8 94	200	102¼	[illegible]	4.96
SWEDEN 5 1/2 95	2000	100¼	[illegible]	5.45
SWEDEN 9 1/4 98	350	111¼	[illegible]	6.61
SWEDISH EXPORT 8 3/8 96	700	107¼	[illegible]	5.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	101	+½	5.71
COUNCIL EUROPE 4 3/4 98	250	96¾		5.50
EIB 6 3/4 04	300	107½		5.65
ELEC DE FRANCE 7 1/4 06	100	108½	+¼	6.27
FINLAND 7 1/4 99	300	106		6.13
GENERAL MOTORS 7 1/2 95	100	102½	−1	6.24
HYUNDAI MOTOR FIN 8 1/2 97	100	106½		6.81
ICELAND 7 5/8 00	100	107	+1½	6.42
JAPAN DEV BK 5 1/2 94	100	99½	−¼	5.99
KOBE 6 3/8 01	240	104½	−¼	5.69
NEW ZEALAND 4 7/8 99	200	96	−¼	5.67
QUEBEC HYDRO 5 08	100	87½		6.33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PROCTER & GAMBLE 9 1/2 98	200	111¾	+¼	6.66
PRUDENTIAL FIN 8 1/4 01	300	103½	+1	7.70
PRUDENTIAL RLTY SECS 0 99	365.216	65½	+¾	7.34
QUEBEC HYDRO 9 01	300	108¼	+¼	7.60
QUEBEC HYDRO 9 3/4 98	150	112½	+¾	7.05
QUEBEC PROV 9 98	200	108⅝	+¾	6.96
QUEENSLAND GOVT 10 1/4 95	100	110⅝	+½	5.68
RALSTON PURINA 11 3/4 95	150	111⅝		6.19
REED PUBLISHING 9 5/8 97	150	110⅛		6.72
SAINSBURY 9 1/8 96	150	109¼	+½	6.24
SAS 10 99	200	108½	−¼	8.20
SAS 10 1/8 95	150	108¼	+¼	6.66
SBAB 9 1/2 95	500	108½	+¼	5.55
SBC FINANCE 7 3/4 96	200	105⅝	+½	5.98
SEAGRAM CO 8 1/2 96	100	101⅞		7.80

	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE FINANCE 7 1/2 95	1000	101¼	+¼	6.88
ECSC 8 5/8 96	700	104⅝	−¼	7.23
EIB 7 1/2 99	400	103¾	−½	6.82
FINLAND 7 1/2 00	3000	100¼	+¼	7.43
GENERAL ELECTRIC 8 3/4 95	300	104½	+¼	6.92
INTER AMER DEV 9 00	300	112¼	+½	6.86
IRELAND 7 3/4 02	500	103	+½	7.30
KFW INTL FINANCE 7 1/4 97	1500	101¼	−¼	6.93
SWEDEN 8 97	2500	103½		7.13
TOKYO ELEC POWER 7 5/8 02	1000	102¼	+¼	7.22
TURKEY 10 3/4 96	500	104	−¼	9.42
UNITED KINGDOM 7 1/8 97	5000	100½	+¼	6.99
VOLKSWAGEN COM 8 5/8 97	400	105	+¾	7.20
WORLD BANK 0 15	2000	23		6.62
WORLD BANK 5 3/4 96	300	97¾	+¼	6.60
WORLD BANK 8 3/4 00	1250	110¼	−½	6.81

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
ASAHI GLASS	25/06/98	10½	−½	33.47
CANON	24/05/95	9	−½	18.24
HANKYU DEPT STORES	14/03/96	1	−½	
HINO MOTORS	06/07/94			94.36
KOBE STEEL	12/06/96	1	−¼	86.66
MITSUBISHI EST	11/03/94			
MITSUI TOATSU CHEM	30/01/98	1½	−½	
MORINAGA	13/06/95	4½	−¼	37.44
NICHIREI CORP	11/06/98	13⅝	−¼	33.66
NIPPON COMSYS	31/01/95	⅜		
NISSHIN STEEL	18/04/96	⅝		
ROYAL HOTEL	14/03/95	¼	−¼	
SMC	25/07/95	1½	+¼	
TAKASHIMAYA	02/07/96	2	−¼	77.08
TOYO SASH	05/08/97	2½	−¼	
YAMANOUCHI PHARM	01/03/94	3½	−1¼	20.71

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on January 15

هكذا من الأصل

INTERNATIONAL BONDS

Japanese investors breathe life into Euroyen market

AFTER A sell-off at the end of last year, the Euroyen bond market has come back to life. Wider yield spreads have revived interest among Japanese investors, who can now buy Euroyen bonds at attractive levels relative to the domestic market.

At the end of last year, many European investors took the view that the rally in the Japanese bond market had more or less run its course, and took profits.

But with the Japanese economy still weak, and the widespread belief that a further cut in the official discount rate is on the way, the market appears to be better underpinned. Although Japanese investors have proved more enthusiastic than European ones so far this year, expectations that the yen will firm against European currencies over the year are encouraging European demand.

More deals are expected to follow Sweden's Y100bn issue of five-year bonds last week, which reopened the market for 1993. Portugal is planning to launch an offering of five-year Eurobonds today. The issue, totalling up to Y75bn, is arranged by Daiwa Europe and IBJ International. In addition, the Asian Development Bank is taking bids for a Y50bn 10-year offering later in the week.

Meanwhile, other European sovereign borrowers and several supranational agencies are eyeing the market. The World Bank's next global yen bond offering is also under preparation.

Sovereign and supranational borrowers typically hold funds in a variety of currencies, often in the form of a pre-determined basket, in order to spread their currency risk.

The attraction of the Euroyen market is that it currently offers very low interest rates and can accommodate large funding operations.

The tiering of the Euroyen market has become more pronounced than in virtually any other market. The market consists on the one hand of a group of actively traded sovereign, supranational and government-guaranteed names, bought by international investors.

The second tier is made up of Japanese companies which channel funding through the Euroyen sector, because fees are lower than in the domestic market.

Despite the Eurobond label, such paper, often structured deals tailored to suit specific investor needs, finds its way back to the Japanese market. There has been talk that the Japanese authorities, unhappy with the practice, may seek to curb it.

However, with Japanese companies facing large funding requirements this year to refinance their maturing equity-linked debt, the authorities may decide the Euroyen market remains too valuable a source of Japanese corporate financing to tamper with.

Meanwhile, poor swap opportunities have, for the most part, discouraged foreign corporate borrowers from tapping the market.

Those borrowers in the top tier of the market are estimated to command a premium of around 10 basis points. But dealers said the market offers the most attractive funding levels to those sovereign borrowers which are not the very top credits, since there is less differentiation based on credit rating than, for example, in the dollar market.

In terms of absolute costs for borrowers, the Euroyen bond market has become increasingly attractive, as interest rates fell last year. At the same time, however, margins over the JGB yield curve for Euroyen bonds have widened, so the benefit of the JGB market rally has been lessened.

For example, the World Bank's first global yen bond offering, launched last March, was priced to yield 19 basis points below the 10-year Japanese government bond. It now trades at a yield of around 30 basis points over the JGB.

"For the top tier names, spreads have a cap of 30-40 basis points [over JGB yields]: at that level, Japanese investors enter the market," said Mr Neil Colverd, head of yen trading at Merrill Lynch.

However, unlike the dollar market, Euroyen spreads over the government bond market do not necessarily provide an accurate means of valuation.

Around 95 per cent of trading in JGBs is concentrated in the current 10-year benchmark, which consequently trades at a huge premium to other issues. "Most other JGBs are very rarely traded, which, in effect, means that there is no yield curve in the government market," according to Mr Alexander Mitcheson-Smith, an economist at Banque Paribas.

The revival of activity in the Euroyen market in the last year or so has created a yield curve made up of actively traded Euroyen bonds, which can now be used for pricing new issues.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Hogy Medical Co.(a,b)§	50	Sep.1997	4.68	2.75	100	Yamaichi Int.(Europe)	-
Export-Import Bk.of Japan	400	Feb.2000	7	6.75	99.92	Goldman Sachs Int.	6.785
Shiseido Co.(c)♦	200	Feb.1997	4	2.5	100	Daiwa Europe	-
Prov.of British Columbia(d)‡	100	Feb.2003	10	(d)	100	Deutsche Bank Lndn	-
CFD(e)‡	100	Feb.2003	10	(e)	99.75	Kidder, Peabody Int.	-
Province of Ontario	3bn	Jan.2003	10	7.375	99.693	G.Sachs/ Salomon	7.420
KfW International Finance	500	Feb.1998	5	6	99.104	Deutsche Bank Lndn	6.214
European Investment Bank	400	Feb.1996	3	5	99.619	SG Warburg Securities	5.140
European Investment Bank	300	Feb.2000	7	6.5	99.277	SG Warburg Securities	6.632
Tokyo Construction Co.(f)♦	180	Jan.1997	4	2.375	100	Yamaichi Int.(Europe)	-
Nagoya Railroad Co.(g)♦	150	Jan.1997	4	2.5	100	Yamaichi Int.(Europe)	-
Seika Corp.(f)♦	100	Feb.1997	4	2.375	100	Daiwa Europe	-
Tobu Store Co.(f)♦	65	Jan.1997	4	2.375	100	Nikko Europe	-
CML Group(a,h)§	50	Jan.2003	9.99	5.5	100	Lehman Brothers Int.	-
Cariplo, London Branch(j)‡	200	Feb.1998	5	(j)	100	Lehman Brothers Int.	-
Council of Europe	150	Feb.1995	3	4.625	100.875	SG Warburg Securities	4.160
Hogy Medical Co.(a,k)§	50	Sep.1997	4.68	2.75	100	Yamaichi Int.(Europe)	-
International Finance Corp.	300	Feb.1996	3	5.125	101.0975	Morgan Stanley Int.	4.724
Shibusawa Warehouse(f)♦	80	Jan.1997	4	2.5	100	Yamaichi Int.(Europe)	-
Petroleos Mexicanos	125	Feb.1998	5	8.25	100.685	Swiss Bank Corp.	8.078
YEN							
Hazama Corp.	10bn	May.1999	6.29	5.5	101.625	Daiwa Europe	5.185
Kingdom of Sweden	100bn	Feb.1998	5	4.625	99.53	Nomura International	4.733
D-MARKS							
Republic of Italy	5bn	Feb.1998	5	7.25	101.75	Deutsche Bank	6.825
Nordic Investment Bank(i)‡	100	Feb.2003	10	(i)	102	DG Bank	-
Crédit Foncier de France	1.5bn	Feb.2003	10	7.25	102.275	Deutsche Bank	6.927
Republic of Austria(l)‡	500	Feb.2003	10	(l)	100	Trinkaus & Burkhardt	-
Westfalische Hypobank(m)‡	75	Feb.2003	10	(m)	101.25	DG Bank	-
Yamada Denki Co.★	10	Jan.1998	5	7.25	101.375	IBJ(Deutschland)	6.915
EBRD(n)‡	100	Jan.2000	7	(n)	101.45	Morgan Stanley	-
Kimura Unity Co.(o)‡★	25	Jan.1997	4	(o)	100	Tokai Bank(Deutsch.)	-
LKB Finance	1bn	Feb.1998	5	7	101.9	Dresdner Bank	6.542
Rabobank Nederland(r)‡	75	Jan.2003	10	(r)	102.75	Morgan Stanley	-
Bank Austria(t)‡	100	Feb.2000	7	(t)	100	Lehman Bankhaus	-
FRENCH FRANCS							
European Investment Bank	3bn	Feb.2001	8	8	99.6	CCF	8.070
Crédit National	500	Feb.2008	15	8.6	99.67	Banque Indosuez	8.640
Automobiles Peugeot	2bn	Feb.2000	7	8.5	99.85	Paribas Cap.Mkts.	8.529
Aerospatiale	1bn	Feb.2003	10	8.375	100.9	Crédit Lyonnais	8.239
STERLING							
Crédit Foncier de France	100	Aug.1998	5.49	7.75	99.75	SG Warburg Securities	7.791
Eurofima	100	Feb.1998	5	7.5	101	Daiwa Europe	7.254
National & Provincial BS	100	Nov.1998	5.75	8.25	99.35	UBS P&D Securities	8.383
Nordic Investment Bank	100	Aug.1998	5.49	7.75	99.65	SG Warburg Securities	7.814
Abbey Nat.Sterling Cap.(s)	150	Jan.2023	29.92	10.125	101.365	Baring Brothers & Co.	9.971
DSL Bank	125	Aug.1998	5.5	7.75	101.445	CSFB	7.405
CANADIAN DOLLARS							
Province de Quebec	500	Feb.2000	7	8.5	99.675	Wood Gundy	8.564
Exsportfinans(p)	100	Nov.1997	4.73	7.75	100.088	Salomon Brothers Int.	7.713
GECC(q)	50	Jan.1998	5	8	101.125	UBS P&D Securities	7.720
International Finance Corp.	250	Aug.1998	5.5	7.75	101.258	ScotiaMcleod	7.447
AUSTRALIAN DOLLARS							
Soc.Gén.Australia	75	Mar.1997	4	8.25	100.75	Hambros Bank	8.023
DANISH KRONE							
Finance for Danish Industry	300	Feb.1998	5	9.25	102	Unibank	8.739
SWISS FRANCS							
Shiseido Co.(c)♦★	100	Feb.1997	10	2	100	Credit Suisse	-
Nippon Denwa(g)♦★	35	Jan.1997	4	1.875	100	Yamaichi Bk.(Switz.)	-
Philip Morris Co.	250	Feb.2000	7	5.375	102	UBS	5.029
Korea Electric Power Corp.	100	Jan.1998	5	6	102.25	Swiss Bank Corp.	5.473
LUXEMBOURG FRANCS							
Tractebel Invest Int.	1.5bn	Feb.2003	10	7.625	102.25	Banque Gén.du Lux.	7.300
Banque Worms	600	Feb.2003	10	7.75	102.375	BCEE	7.405
Cregem Finance	2bn	Feb.2003	10	7.625	101.875	Cregem Int.Bank	7.354
Parbel Int.Finance	1bn	Jun.2001	8.33	7.25	100	Banque Paribas Lux.	7.241
Crdt.Lyonnais Belgian Fin.	1bn	Feb.2005	12	zero	42.75	Crédit Lyonnais Lux.	7.337
DG Bank	1bn	Feb.2003	10	7.625	101.75	Kredietbank Lux.	7.371

Final terms and non-callable unless stated. ★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Coupon payable semi-annually. b) Final terms fixed on 13/1/93. Callable from 1/4/93 at 103% declining by 1% per annum to par. c) Final terms fixed on 18/1/93. d) Coupon pays 25bp below 6-month Libor. Minimum coupon 5½%, maximum 8%. e) Borrowers full name: Caisse Francais de Developpement. Coupon pays 25bp below 6-month Libor. Maximum coupon 5⅛%, minimum 8¼%. f) Final terms fixed on 20/1/93. g) Final terms fixed on 19/1/93. h) Conversion price fixed at $30.78, a 21.98% premium, 1 year hard call, 2 year provisional call. i) Coupon pays 10% annual fixed in first year and 19½% - 2 × 6-month Libor thereafter. j) Coupon pays 37½bp over 3-month Libor. k) Conversion price: Y7319, a 2½% premium. Exchange rate: 126.45Y/$. Callable from 1/4/93 at 103% declining by 1% per annum to par. l) Coupon pays 8¼% fixed annual in first 2 years and 13⅛% - 6-month Libor thereafter. m) Coupon pays 10¼% fixed annual in first year and 20% - 2 × 6-month Libor thereafter. n) Coupon pays 8¼% fixed annual in first year and 19% - 2 × 6-month Libor thereafter. o) Coupon pays 45bp above 6-month Libor. p) Fungible with outstanding C$150m 41 days after payment date. Plus 96 days accrued interest. q) Issue launched on 6/1/93 was increased to C$150m. r) Issue launched on 7/1/93 was increased to DM200m. Coupon pays 9% fixed annual for first year and 19¾% - 2 × 6-month Libor thereafter. s) Callable at par on 4/1/2018; if call is not exercised, coupon will be reset at the higher of 10⅛% or 190bp over the prevailing benchmark gilt yield. t) Coupon pays 8¼% fixed annual in first year and 25% - 3 × 6-month Libor thereafter. Note. Yields calculated on ISMA basis.

RISK AND REWARD

Swap market goes into overdrive to keep pace

WITH the Eurobond machine cranked up and running on all cylinders, the swap market has been working overtime to keep up.

Spreads in the swap market have narrowed as a result – though even at the end of last week, rates in several currencies were only just below levels at which more borrowers could be tempted into the bond market.

Few of the recent headline-grabbing D-Mark issues are thought to have been swapped into other currencies. Borrowers like Italy and Finland, which between them have raised DM8bn so far in 1993, need the currency to replenish reserves or repay the Bundesbank for its activities to support their currencies.

There is one big exception in the D-Mark market: a spate of reverse floating rate notes (close to DM1bn in all last week) aimed at retail investors who want to gear up their bets on falling German interest rates. Virtually all of this is likely to have been offset through the swap market.

Unlike the D-Mark, virtually all borrowing in Canadian dollars (C$2.5bn of it so far this year) is prompted by arbitrage opportunities presented by the swap market.

The arbitrage arises from the steady stream of domestic Canadian entities willing to pay the fixed-rate leg of a swap transaction: Canadian mortgage loans, for instance, are largely fixed-rate, and the banks which make such loans are natural swap-market counterparties, exchanging their fixed-rate payment streams for floating-rate ones.

The swap market operates between this domestic Canadian market and the fixed-rate euro-Canadian dollar market, which is used by international borrowers whose standing allows them to tap into international demand for the Canadian dollar, but who are not natural users of the currency.

Canadian dollar swap spreads at the end of last week stood at 68-69 basis points for five-year maturities, having slipped at the end of the week before. Even at that level they remain attractive to Euromarket borrowers.

Sterling swap spreads also started the year at a healthy level. A belief in some quarters that interest rates will rise again before too long has prompted more demand from treasurers wanting to lock into fixed rates at current levels. However, the prospect of another interest rate cut has also kept most on the sidelines, waiting longer before taking the plunge and moving back down the yield curve.

Five-year sterling swap spreads narrowed last week by between five and 10 basis points, reducing the attractiveness of Eurosterling.

As Canadian dollar and sterling swap rates have eased, borrowers turned last week to another arbitrage to shave a little more off their borrowing costs – the different shape of the swap and the underlying government bond yield curves. In theory, the two should mirror each other: in practice, government bond curves are dictated by certain benchmark issues, making them a less efficient pricing mechanism for maturities which fall where there is no benchmark issue.

The end of last week saw almost identical bond issues in the sterling and Canadian dollar markets with maturities of just over five and a half years. Priced off the five-year benchmark bonds, these issues take advantage of the mismatching yield curves in both currencies during 1998. The swap curves take full account of higher longer-dated rates for such maturities, while the government bond curves do not. The three sterling borrowers who took advantage of this are reckoned to have saved a net 5-10 basis points in yield.

Richard Waters

CONTRACTS & TENDERS

BUSINESS TRAVEL

ART GALLERIES

THE WEEK AHEAD

ECONOMICS

Good timing for Clinton as US recovery gathers pace

MR Bill Clinton takes over as US president on Wednesday amid signs that the US recovery is gathering pace. This week brings few economic figures to upset the new President although housing starts data on Friday are forecast to be relatively subdued.

In November housing starts rose 1.5 per cent. Many economists now believe that the boost to housing from record low mortgage rates has passed and any increases in housing from now are likely to be more modest.

In the UK there are a number of important figures on the real economy.

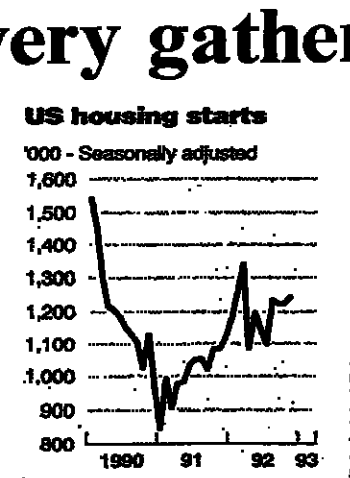
Hopes are high that December's retail sales figures tomorrow will reflect anecdotal evidence of a boost to sales over Christmas and reverse November's 0.1 per cent drop.

Later on in the week there are figures for unemployment, and industrial output as well as two economic surveys. The British Chambers of Commerce produces its quarterly economic survey and there is the monthly distributive trades survey from the Confederation of British Industry.

Today: Belgium, EC finance ministers meeting in Brussels; France, November industrial production (down 0.4 per cent); Canada, December advanced departmental store sales (up 4 per cent on year); US, Martin Luther King Day, some markets closed.

Tomorrow: UK, December PSBR (£3.5bn), CBI distributive trades survey; Sweden, December trade balance (SKr3.2bn surplus); US, January 16 Johnson Redbook; Canada, November wage settlement increases (up 2.4 per cent); Australia, Reserve Bank of Australia Bulletin released.

US housing starts
'000 - Seasonally adjusted



Source: Datastream

Wednesday: US, Bill Clinton's inauguration as president, Federal Reserve releases Tan-book for February Federal Open Markets Committee Meeting; Canada, November unfilled orders (down 0.6 per cent); UK, December retail sales; Japan, November industrial production; Australia, November housing finance.

Thursday: UK, December unemployment (up 35,000), November average earnings (up 5.25 per cent), November unit wage costs (up 0.6 per cent in 3 months to end November), November industrial production (up 0.1 per cent), November manufacturing output (flat on month, up 0.5 per cent on year), British Chambers of Commerce quarterly economic survey; Germany, regular Bundesbank council meeting in Frankfurt, first round of banking sector wage negotiations; Sweden, December CPI (up 0.2 per cent on month, up 1.7 per cent on year); Canada, December CPI (up 0.1 per cent on month); US, money supply data for week ended January 11, senate confirmation hearing for Laura Tyson, nominee for CEA chair; Japan, wholesale price index January 1-10, December money supply, December broad liquidity.

Friday: US, initial claims week ended January 9 (337,000), state benefits week ended January 2, December housing starts (1.25m), December building permits; Canada, November retail sales (up 0.3 per cent on month), November wholesale trade; New Zealand, December trade balance; Japan, first quarter Bank of Japan economic outlook, the Diet session convenes in Tokyo; Germany, second round of government and OETV public pay talks.

During the week: Japan, December trade balance ($13.3bn surplus), trade balance January 1-10; Germany, December wholesale price index (up 0.1 per cent), November retail sales (down 0.8 per cent), December producer prices index (flat on month, up 0.6 per cent on year); Denmark, December consumer prices index (down 0.3 per cent on month, up 1.4 per cent on year); Netherlands, November trade balance (Fl2bn surplus), unemployment rate three months to the end of December (4.6 per cent); Italy, November industrial production (down 4 per cent on year), January CPI (up 5 per cent on year), November wholesale prices index (up 2.7 per cent on year), November producer prices index (up 2.2 per cent on year); Finland, December trade balance.

Emma Tucker

RESULTS DUE

PHOTO-ME INTERNATIONAL, the world's largest photo-booth manufacturer and operator, is expected today to report a marginal increase in interim pre-tax profits from £8.7m to about £8.9m.

Analysts will be interested in the degree of increased competition in the UK from overseas companies, and the performance of new products such as novelty booths, providing photos with celebrities such as Madonna.

Tomorrow, **Eurocamp**, the camping holiday company floated in July 1991, is forecast to reveal pre-tax profits for the year to October of about £9.4m, up from £8.2m.

Lower interest payments, increased demand and broader markets – especially Germany and the Netherlands – all lie behind the rise.

Yorkshire Tyne-Tees, the merged ITV company, should announce pre-tax profits of about £17.5m for the year to September, with two months included from Tyne Tees.

This would be a little below original estimates of about £19m, but still a solid base to begin tackling its new franchise.

Anxiety about the preference dividend at **Kunick**, the fruit machines to nursing homes group, seems set to prove unfounded at the announcement of the annual results on Wednesday. The recent sale of 50 per cent of the nursing homes business, reducing debt, should allow both a preference and a nominal ordinary dividend.

Forecasts are for a pre-tax loss of about £3.5m, after some £6m of exceptionals, against a profit of £12.4m.

The seasonality of **Park Food Group's** main business (selling Christmas hampers) means it regularly reports pre-tax losses at the interim stage. A smaller first-half deficit is expected to be announced on Friday, down from £4.4m to £4m. For the full 12 months, forecasts of £9m pre-tax, compared with £8.9m last year, are being revised upwards.

UK COMPANIES

■ TODAY
COMPANY MEETING:
Bridport-Gundry, The Arts Centre, South Street, Bridport, Dorset, 12.00
BOARD MEETINGS:
Finals:
Aberdeen Tst.
First Philippine Inv.
Interims:
Abtrust Scotland Inv.
British Thornton
Jupiter Euro Inv. Tst.
Peel Hldgs.
Photo-Me
Real Time Control

■ TOMORROW
COMPANY MEETINGS:
Apollo Metals, National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, W.Midlands, 10.30.
Dunedin Worldwide Inv. Tst., Dunedin House, 25 Ravelston Terrace, Edinburgh, 12.00.
MY Hldgs., Windlebrook House, Guildford Road, Bagshot, Surrey, 10.00.
Pacific Horizon Inv. Tst., Credit Lyonnais Laing, Broadwalk House, 5 Appold Street, EC., 11.30.
Sanderson Electronics, Grosvenor House Htl. Charter Sq., Sheffield, 12.00.
Southern Radio, Radio House, Whittle Avenue, Segensworth West, Fareham, Hants. 12.00.
BOARD MEETINGS:
Finals:
Davenport Vernon
Eurocamp
Eurotherm
Hawtin
Lee (Arthur)
St. Davids Inv. Tst.
Soundtracs
Yorkshire-Tyne Tees TV
Interims:
Claythithe
Daejan
SelecTV

■ WEDNESDAY JANUARY 20
COMPANY MEETINGS:
Group Development Capital Tst., 125 High Holborn, WC., 12.00.
MEPC, CBI Conference Centre, Centre Point, W., 12.00.
Widney, Credit Lyonnais Laing, Broadwalk House, 5 Appold Street, EC., 11.00.
BOARD MEETINGS:
Finals:
Kunick
RCO
Interims:
Beales Hunter
Clark (Matthew)
Colorvision
Electron House
Jurys Hotel
Ransom (William)
Resort Hotels

■ THURSDAY JANUARY 21
COMPANY MEETINGS:
Airtours, Stanneylands Hotel, Wilmslow, Cheshire, 11.30.
Bass, Queen Elizabeth II Conference Centre, SW., 11.00.
Burton Group, The Marriott Hotel, 10 Grosvenor Sq., W., 11.00
Fairline Boats, Barnwell Road, Oundle, Peterborough, 12.00.
Henderson Strata Invs., 3 Finsbury Avenue, EC., 2.30.
Morland, The Brewery Ock Street, Abingdon, Oxon, 12.30.
River Plate & Gen. Inv. Tst., Knightsbridge House, 197 Knightsbridge, SW., 11.30.
BOARD MEETINGS:
Finals:
London & Clydeside
London Scottish Bank
PWS
Interims:
Colefax & Fowler
Rubicon
Star Computer
Stavert Zigomala

■ FRIDAY JANUARY 22
COMPANY MEETINGS:
Cosalt, Fishdock Road, Grimsby, 2.30.
New Zealand Inv. Tst., 1 Finsbury Avenue, EC., 12.30.
BOARD MEETINGS:
Finals:
Deutschland Inv.
Malvern UK Index Tst.
Selective Assets Tst.
Interims:
Park Food
Richmond Oil & Gas
Shield

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports & Accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

PARLIAMENTARY DIARY

■ TODAY
Commons: Social Security, Attorney-General's and Overseas Development questions; European Communities (Amendment) Bill, committee.
Lords: British Coal and British Rail (Transfer Proposals) Bill, third reading. Bankruptcy (Scotland) Bill, report.
Committees: Public Accounts, subject: Matters on customs and excise standard report 1991-92. Witness: Sir Brian Unwin, chairman, HM Customs and Excise, 4.30pm.

■ TOMORROW
Commons: Employment questions. Questions to the Prime Minister. European Communities (Amendment) Bill, committee.
Lords: Social Security Bill, second reading. Welsh Language Bill, second reading.
Committees: European legislation, subject: Danish presidency of the EC. Witness: Mr Tristan Garel-Jones, foreign office minister, 11am. Agriculture, subject: Effects of the beer orders on the brewing industry and consumers. Witness: Mr Michael Heseltine, trade and industry secretary, 3.45pm.

■ WEDNESDAY
Commons: Trade and Industry questions. European Communities (Amendment) Bill, committee.
Lords: Debates on proportional representation, the Dangerous Dogs Act and the Animal Procedures Committee.
Committees: Parliamentary Commissioner for Administration. Subject: Northern Ireland Annual report 1991. Witness: Mrs Jill McIvor, Northern Ireland Parliamentary Commissioner for Administration, 10am. Transport, subject: Future of the railways. Witnesses: Sir Peter Parker, Transport 2000 and Friends of the Earth, transport journalists, 10.15am. Foreign Affairs, subject: Europe after Maastricht. Witness: Mr Peter Ludlow, centre for European policy studies, 10.30. Welsh affairs, subject: The preservation of historic buildings and ancient monuments. Witnesses: Cadw: Welsh Historic Monuments, 10.30am. Transport. Subject: Future of the railways. Witnesses: British Rail, David Rayner, director, safety and operations, Mr T Suga, East Japan railways company, 3.15pm. Employment, subject: the work of the training and enterprise councils. Witnesses: Mr Edward Roberts, chairman, G10 group of chairmen of the TECs, 4.15pm. Health, subject: Dental services. Witnesses: British association of orthodontists; dental laboratory association, 4.15pm. Public Accounts, subject: Competition in the provision of support services. Witness: Sir Christopher France, permanent under secretary of state, Ministry of Defence, 4.15pm. Treasury and Civil service, subject: The transfer of responsibility for financial services. Witness: Mr Anthony Nelson, economic secretary to the Treasury, 4.30pm.

■ THURSDAY
Commons: Northern Ireland questions. Questions to the Prime Minister. Debate on the RAF.
Lords: Debate on EC reports on environmental legislation. Video Recordings Bill, second reading.
Committees: National Heritage, subject: Privacy and media intrusion. Witnesses: Mr Kelvin Mackenzie, editor, The Sun. Mr Colin Webb, editor in chief, Press Association, 10.30am. Foreign Affairs, subject: Europe after Maastricht. Witnesses: Sir Leon Brittan and Mr Bruce Millan, 4pm.

■ FRIDAY
Commons: Backbench business – Shops (Amendment) Bill, second reading.
Lords: Not sitting.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Asahi Brews. Fltg. Rate Nts. 1996 Y281029
Babcock 1p
Charter Cons. 7p
City of Lon. PR 1.15p
East Surrey Hldgs. 4.1p
GEI 2.47p
Graig Shipping A N/V 1p
Grampian TV A N/V 1.1p
Halifax Bldg. Soc. 11% Sub. 2014 £1100
Kalamazoo 0.25p
Lucas Inds. 4.9p
Merrydown Wine 1p
Sainsbury (J.) 2.7p
Texas Instruments $0.18
Throgmorton Dual Tst. 1.75p

■ TOMORROW
Amber Industrial 5.5p
Barings Gtd. Fltg. Rate Cap. Nts. 2001 $258.33
Concentric 7.63p
Marston, Thomson & Evershed 1.45p
NatWest. Bank Non-Cum Pf. Series A $0.49875
Petaling Tin M$0.10
Rothmans B 4p
Royal Bank of Can. Intl. Bd. Fd. Ptg. Rd. Pf. $0.30
Sanwa Fin. Aruba Gtd. Fltg. Rate Nts. 2004 $1022.22
Do. Gtd. Step-Up Fltg. Rate Nts. 2002 $525
UK 9¾% Exch 1998 £4.875
Do. 2% Index-Linked Treas. 2006 £2
Vosper Thornycroft 4.7p
VSEL Consortium 9p
Wells Fargo Fltg. Rate Sub. Nts. 1997 $94.24

■ WEDNESDAY JANUARY 20
Atkins 3.6p
Bradford & Bingley Bldg. Soc. 11⅝% PIBS £5.8125
British Steel 11½% Deb. 2016 £5.75
Danka Business Systems 1.5p
Dawson Intl. 2.9p
Dewhurst Dent 7% Uns. Ln. 1990/2000 £3.50
Elys (Wimbledon) 9¾% Uns. Ln. 1995/99 £4.875
Genesis Chile Fd. Ptg. $0.58
Metro Radio 3.5p
M & G Inc. Inv. Tst. Package Units 1.3875p
Do. Geared units 1.3875p
Do. Income 1.3875p
National Australia Bk. A$0.23
Shanks & McEwan 2.24p
Stainless Metalcraft 1p

■ THURSDAY JANUARY 21
Anglia Bldg. Soc. Fltg. Rate Nts. 1996 £98.46
Apollo Metals 2.3p
Bank of New York Overseas Finance Gtd. Fltg. Rate Sub. Nts. 1996 $134.17
Barclays Bank Undated Fltg. Rate Primary Cap. Nts. Series 3 £8562
BSS 5.75p
Caledonia Invs. 5p
Citicorp Overseas Fin. Corp. Gtd. Fltg. Rate Nts. 1992 $86.25
Erskine House 2.3p
Fleming Fledgeling Inv. Tst. 6¼% Deb. 1988/93 £3.125
Fuller, Smith & Turner A 2.4p
Latin Amer. Extra Yield Fund $0.31
Leeds Permanent Bldg. Soc. Fltg. Rate Nts. 1994 £97.99
Nationwide Bldg. Soc. Fltg. Rate Nts. 1998 £96.17
Northern Rock Bldg. Soc. Fltg. Rate Nts. 1995 £98.46
Rolfe & Nolan Computer Srvs. 2.55p
UK 10¼% Exch 1995 £5.125
Woolwich Bldg. Soc. Fltg. Rate Nts. 1993 £195.34

■ FRIDAY JANUARY 22
BPB Industries 2.7p
Britannia Bldg. Soc. Fltg. Rate Sub. Nts. 2005 £21083.32
Chloride 6% Cm. Pf. 2.1p
Dunedin Worldwide Inv. Tst. 7.1p
Faber Prest 7.7p
Hartstone 2.8p
Henderson Strata Invs. 1.4p
Mitsubishi Cap. Dual Basis Bds. 2000 (B Bds.) $2739.24
Novo 0.3p
Pacific Horizon Inv. 0.14p
Perpetual 3.6p
Powerscreen Intl. 1.8p
Rexmore 0.7p
Rowlinson Secs. 0.24p
Southern Radio 0.794p
Stirling 0.5p
Sweden (Kingdom of) 13½% Ln. 2010 £67.50
TSB Hill Samuel Bk. Hldg. Co. Fltg. Rate Nts. 2016 $201.25
UK 12% Exch 1992/2002 £6
Do. 4⅛% Index-Linked Treas. 2030 £2.5102
Do. 13¼% Treas. Ln. 1997 £6.625
Do. 11¾% Treas. 2003/07 £5.875
Do. 14% Treas. 1996 £7
Westpac Banking Corp. A$0.06
Woolwich Bldg. Soc. Fltg. Rate Nts. 1996 Ecu270.57
Young (H.) 1p

■ SATURDAY JANUARY 23
Paramount 0.1p

■ SUNDAY JANUARY 24
Euromoney Publications 21.5p

CONFERENCES & EXHIBITIONS

هكذا من الأصل

هكذا من الأجل

WORLD STOCK MARKETS

INDICES

NEW YORK DOW JONES

	Jan 15	Jan 14	Jan 13	Jan 12	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3271.12	3267.88	3263.56	3264.64	3413.21 (1/6/92)	3136.58 (9/10/92)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	104.01	103.67	103.55	103.53	104.01 (15/1/93)	98.41 (20/3/92)	104.01 (15/1/93)	54.99 (1/10/81)
Transport	1506.21	1496.34	1466.93	1482.24	1506.21 (15/1/93)	1204.40 (26/8/92)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.40	221.33	220.77	218.39	225.59 (3/1/92)	200.74 (8/4/92)	256.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3300.03 (3297.06) Low 3238.70 (3230.87) (Theoretical)
Day's High 3285.17 (3278.96) Low 3258.16 (3251.13) (Actual)

STANDARD AND POOR'S

	Jan 15	Jan 14	Jan 13	Jan 12	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	437.15	435.94	433.03	431.04	441.28 (18/12/92)	394.50 (8/4/92)	441.28 (18/12/92)	4.40 (1/6/32)
Industrials	506.92	505.78	502.84	501.13	515.75 (18/12/92)	470.91 (8/4/92)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	41.51	41.16	40.59	40.30	41.51 (15/1/93)	32.40 (8/4/92)	41.51 (15/1/93)	8.64 (1/10/74)
NYSE Composite	240.47	239.60	238.12	237.20	242.08 (18/12/92)	217.92 (8/4/92)	242.08 (18/12/92)	4.46 (25/4/42)
Amex Mkt. Value	403.65	401.06	398.56	396.41	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	697.15	695.70	686.78	679.45	697.15 (15/1/93)	547.84 (26/6/92)	697.15 (15/1/93)	54.87 (31/10/72)

	Jan 8	Dec 31	Dec 24	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.14	3.12	2.89

	Jan 13	Jan 6	Dec 16	year ago (approx.)
S & P Industrial div. yield	2.59	2.58	2.58	2.78
S & P Indl. P/E ratio	26.70	26.85	26.78	23.24

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Tucson Elk	10,457,300	2¼	+ ¼
Gen Motors	6,549,800	34½	+ ½
Unisys Corp	5,962,200	12¼	+ ½
West Elec	4,978,300	13¾	- 1
Citicorp	4,664,800	23	+ ¼
Merck	4,052,000	41¾	- ½
IBM	3,373,100	48¼	- ⅜
Am T & T	3,313,900	53¼	+ ⅜
Glaxo	3,118,000	22¼	+ ½
Coca Cola	3,045,200	43¼	----

TRADING ACTIVITY

† Volume Millions	Jan 15	Jan 14	Jan 13
New York SE	247.350	280.020	245.020
Amex	13.733	19.138	14.798
NASDAQ	(u)		244.701
NYSE			
Issues Traded	2,427	2,402	2,412
Rises	1,249	1,186	1,091
Falls	599	674	759
Unchanged	579	542	562
New Highs	159	126	79
New Lows	13	19	28

CANADA TORONTO

	Jan 15	Jan 14	Jan 13	Jan 12	1992/93 HIGH	1992/93 LOW
Metals & Minls ‡	2764.64	2748.41	2747.17	2800.23	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3306.58	3303.80	3298.29	3314.54	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1746.12	1748.45	1744.42	1749.50	1937.59 (16/1/92)	1663.16 (14/10/92)

TOKYO - Most Active Stocks

Thursday, 14 January, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Yasuda Tst & Bk	9.3m	+6	690	Nippon Steel	1.9m	-1	298
Sumitomo Metal	3.2m	+2	262	Keisei Elec	1.9m	-2	723
Green Cross	2.8m		1,190	Toray Ind	1.8m	-14	615
Kawasaki Steel	2.7m	+1	281	Meiji Milk Prod	1.7m	-11	645
Sumitomo Chem	2.4m	-13	418	Mitsubishi Heavy	1.5m	-3	514

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Grofund American	5	151.7	153.3	161.3	0.00	40591
AIB Grofund Equity	5	199.2	201.8	213.6	3.35	40593
AIB Grofund Euro.	5	145.6	147.7	155.5	0.37	40594
AIB Grofund Ext Balanced	3	98.92	100.7	103.9	2.28	–
AIB Grofund Gilt	3	75.30	75.33	77.66	5.29	40595
AIB Grofund Japan	5	119.0	120.3	126.6	0.00	40596

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
General Inc	5	397.0	398.4	423.9	2.80	40401
General Acc	5	432.4	433.9	461.7	2.80	41570
UK Growth Acc	6	292.5	296.5	315.5	3.14	40392
UK Growth Inc	6	209.7	212.6	226.2	3.14	40393
Higher Inc Acc	6	513.7	521.7	555.0	4.43	40394
Higher Inc Inc	6	316.9	321.7	342.3	4.43	40395
Gilts/Fxd Int Acc	5½	167.5	167.5	176.9	7.18	40396
Gilts/Fxd Int Inc	5½	90.27	90.27	95.34	7.18	40397
Nth America	6	256.5	261.6	278.3	0.00	40398
Far East	6	229.1	229.1	243.8	3.11	40399
Europe	6	195.0	195.0	207.5	1.21	40400
Brit Excell	6	60.71	60.71	64.59	3.19	40402
Brit Fxdnotls Acc	6	78.64	78.64	83.66	5.05	40403
Brit Fxdnotls Inc	6	61.72	61.72	65.66	5.05	40404
Global Opps	6	63.05	63.65	67.72	0.00	40580

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Gilts & Fixed Int	6	126.8	126.8xd	134.4	7.07	40001
High Inc Equity	6	137.3	140.2xd	149.1	5.70	40002
Worldwide Bond	6	248.7	248.7	263.6	4.74	40003
American Growth	6	274.9	274.9xd	294.0	.49	40004
Asian Pacific	6	185.5	189.4	201.4	.95	40005
Assets & Earnings	6	212.1	216.4	230.2	2.73	40006
Capital Reserve Acc	0	124.0	124.0	124.3	5.98	40007
Comdty & Energy	6	62.26	62.26	66.58	1.32	40008
1992 Enterprise	6	74.01	74.01	79.15	2.62	40597
Euro Capital Acc	6	98.52	98.52	105.3	.99	40009
Euro Capital Inc	6	93.36	93.36	97.85	1.00	47981
General	6	188.0	188.0	201.0	2.89	40010
Japan	6	82.68	82.68	88.42	–	40011

Britannia Life Unit Managers Ltd (1200)F
50 Bothwell Street, Glasgow G2 6HR 041-223 6020

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Balanced Growth	6	87.85	88.84	95.02	2.39	40427
Do (Accum)	6	95.92	97.00	103.74	2.39	40428
Smaller Cos	6	70.59	70.59	75.50	1.81	40433
Do (Accum)	6	76.33	76.33	81.63	1.81	40434
Higher Yield	6	34.99	35.35xd	37.81	4.52	40429
Do (Accum)	6	47.74	48.23	51.59	4.52	40430
American Gth Inc	6	51.92	52.10	55.72	0.29	40423
Do (Accum)	6	52.91	53.09	56.78	0.29	40424
European Growth	6	87.69	87.97	94.09	1.78	40329
Do (Accum)	6	88.50	88.79	94.96	1.78	–
Global Bond Inc	6	27.35	27.34xd	29.24	5.78	46895
Do (Accum)	6	33.61	33.87	35.99	5.78	46896
Managed P'folio Inc	6	31.27	31.35	33.53	1.54	40147
(Do Accum)	6	31.35	31.43	33.62	1.54	40362
Pacific Growth Accum	6	78.80	79.60	85.14	1.17	40323
Intl Spec Opps Accum	6	75.59	76.56	81.88	1.09	40320

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Mngd P'folio Inc	6	84.67	84.67	90.17	2.31	40186
Mngd P'folio Acc	6	158.5	158.5	168.8	–	40187
UK General	6	138.3	138.3	147.3	3.44	40188
Conv & General	6	18.07	18.07xd	19.33	7.98	40190
European Inc	6	20.66	20.66	22.24	0.51	40191
European Acc	6	21.34	21.34	22.97	–	40192
Financial	6	102.0	102.9	109.6	4.05	40194
Foundation	6	67.49	69.30	73.80	3.80	40534
German	6	36.45	36.45	39.09	0.10	40195
Growth Inc t(5-1)	5	26.81	26.81	28.56	3.24	41580
Growth Acc t(5-1)	5	31.22	31.22	33.26	–	40228
High Income	6	66.80	67.92	72.33	6.90	40196
Income	6	113.6	116.0	124.0	4.68	40197
Intl Income	6	82.68	82.68xd	88.05	5.48	40189
Intl Growth ‡	6	30.70	30.70	32.70	0.24	40198
Monthly Income	6	63.79	65.92	70.20	4.80	40812
North American	6	102.0	103.0xd	109.7	0.20	40199
Orient ‡	6	90.44	90.44	97.28	–	40200
Recovery	6	31.20	32.60	35.05	3.37	40201
Smaller Cos Acc	6	221.5	234.3	249.4	–	40202
Smaller Cos Inc	6	129.7	137.2	146.1	1.38	40203

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Income Growth	1	184.1	184.1	189.3	6.59	40204

Buckmaster Mangmt Co Ltd (0930)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Fellowship Tst	5¼	58.94	59.55	63.36	1.92	40206
(Accum Units)	5¼	65.71	66.40	70.64	1.91	40207
Income	5¼	197.3	199.3	212.1	4.33	40210

London & Manchester Tst Mgmt (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American	6	56.38	56.67xd	60.80	0.4	40828
General	6	72.74	73.17	78.51	3.2	40829
Income	6	52.74	54.30	58.26	6.5	40830
International	6	49.50	50.10	53.75	0.9	40831
Japan	6	35.58	35.95	38.57	0.0	40832
Tst of Inv Trusts	6	47.39	48.19	51.71	2.2	40833

M & G Securities (0915)H
M & G House, Victoria Road, Chelmsford CM1 1FB
Customer Services/Unit Dealing 0245 390390

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Amer & General	5	368.69	365.7	386.5	0.81	40834
(Accum Units)	5	450.27	450.3	476.0	0.81	40835
Amer Recovery	5	360.2	361.5	383.2	0.74	40836
(Accum Units)	5	412.1	413.5	438.4	0.74	40837
Amer Smllr Cos	5	108.91	111.1	117.5	–	40838
(Accum Units)	5	111.28	113.4	120.0	–	40839
Australasian	5	99.63	99.70	105.4	1.95	40840
(Accum Units)	5	118.34	118.4	125.2	1.95	40841
Capital	5	563.48	563.5	595.9	3.57	40102
(Accum Units)	5	613.57	613.6	648.8	3.57	40099
Charifund	1	567.47	567.8	573.5	5.61	40885
(Accum Units)	1	2304.77	2347.7	2371.2	5.61	40416
Commodity	5	229.95	230.0	243.2	1.7	40842
(Accum Units)	5	333.27	333.3	352.4	1.7	40843
Compound Growth	5	743.05	743.1	785.8	3.58	40844
Dividend	5	30.61	30.70	32.90	5.05	40847
(Accum Units)	5	119.04	119.8	128.2	5.05	40848
Equity Income	5	252.56	255.8	273.7	6.29	40846
(Accum Units)	5	294.77	298.6	319.5	6.29	41496
European & General	5	339.11	339.2xd	358.7	1.78	40849
(Accum Units)	5	423.65	423.7	448.0	1.78	40850
European Dividend	5	51.91	52.00	55.50	5.32	47788
(Accum Units)	5	58.00	58.00	62.00	5.32	47789
Extra Yield	5	320.1	322.6	345.2	5.38	40851
(Accum Units)	5	919.89	927.0	991.9	5.38	40852
Far Eastern	5	227.81	230.7	244.0	1.57	40853
(Accum Units)	5	298.75	302.6	320.0	1.57	40854
Fund of Inv Tsts	5	434.72	434.8	459.8	2.8	40855
(Accum Units)	5	784.46	784.5	829.6	2.8	40856
General	5	48.21	48.30xd	51.10	4.27	40857
(Accum Units)	5	127.04	127.1	134.5	4.27	40858
Gilt Income	0	60.27	60.30	60.30	9.29	40859
(Accum. Units)	0	146.6	146.6	146.8	9.29	40860
Gold	5	29.70	29.70xd	31.40	2.68	40861
(Accum Units)	5	34.74	34.80	36.80	2.68	40862
High Income	5	21.33	21.40xd	22.60	5.68	40863
(Accum Units)	5	78.95	79.00	83.50	5.68	40864
Intl Growth	5	60.61	60.70	64.50	1.2	40865
(Accum Units)	5	104.17	104.2	110.8	1.2	40866
International Inc	5	79.18	79.20	84.40	5.56	40867
(Accum Units)	5	108.76	108.8	115.9	5.56	40868
Japan & Gen	5	33.64	33.70	35.60	–	40869
(Accum Units)	5	36.10	36.20	38.20	–	40870
Japan Smaller Cos	5	102.6	102.9	108.8	0.08	40871
(Accum Units)	5	103.32	103.7	109.6	0.08	40872
Midland	5	44.68	44.70	47.30	5.15	40873
(Accum Units)	5	141.32	141.4	149.6	5.15	40874
Pension Ex	2	776.59	790.9	810.7	4.87	40886
Recovery	5	31.15	31.40xd	33.60	3.78	40875
(Accum Units)	5	48.96	49.30	52.80	3.78	40876
Second General	5	52.76	52.80xd	55.80	4.41	40877
(Accum Units)	5	129.08	129.1	136.5	4.41	40878
Smaller Cos	5	50.13	52.00	55.00	4.2	40879
(Accum Units)	5	93.36	96.80	102.4	4.2	40880
Trustee	5	33.92	34.00	36.00	4.68	40881
(Accum Units)	5	127.28	127.3	134.7	4.68	40882

Millennium Fund Management Ltd (1000)F
1 White Hart Yard, London Bridge, SE1 071-407 5966

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
International	5	9.667	9.804	10.43	0.00	47284

Morgan Grenfell Invest Fds Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers 071-826 0826 Enquiries 071-826 0123

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American Growth	5¼	242.9	242.9xd	258.5	0.49	41048
European Gth Inc	5¼	222.4	222.4xd	237.6	0.00	44684
European Gth Acc	5¼	223.4	223.4xd	238.7	0.00	41049
Intl Growth	5¼	145.9	145.9	155.7	0.00	41050
UK Equity Inc	5¼	131.8	131.8	142.1	5.52	51046
UK Equity Acc	5¼	158.7	158.7	171.1	5.52	41047
UK Ind Tracker Inc	5	133.9	133.9	143.4	3.68	46686
UK Ind Tracker Acc	5	150.1	150.1	160.8	3.68	46655
US Eq Ind Tracker Inc	5	180.5	180.5	192.9	1.38	46658
US Eq Ind Tracker Acc	5	189.9	189.9	203.0	2.10	46657
Japan Tracker	5	52.45	52.45xd	55.57	0.00	46921
Asian Trader	5¼	123.4	123.4	134.0	1.16	46109
Managed Inc	5¼	111.1	111.1xd	119.4	1.75	46922
Managed Acc	5¼	115.6	115.6xd	124.3	1.75	46923
Cash Inc	0	100.08	100.08xd	100.08	6.57	44556
Cash Acc	0	120.85	120.85xd	120.85	6.57	44665
Europa	5¼	101.4	101.4	109.1	0.00	43122
Genesis	5	117.7	117.7	128.3	0.00	44479

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Acumen	1	77.36	77.36	79.44	3.14	46327
Acumen Inc	1	75.98	75.98	78.01	3.14	–
Acumen Reserve	1	74.47	74.47xd	75.22	8.70	46328
Acumen Reserve Inc	1	71.77	71.77xd	72.50	8.70	–
American Income	1	163.70	163.70	167.30	2.97	41056
Equity Income	1	86.19	86.19xd	88.58	5.19	41057
European	1	54.42	54.42	55.89	1.34	41058
Smaller Cos	1	55.76	55.76	58.15	2.02	41060
Olympiad	1	47.57	47.57	48.76	0.81	41061
Global Bond	1	45.68	45.68	46.14	5.73	–
UK Growth	1	78.89	78.89	81.39	1.86	41063
Pacific Growth	1	59.58	59.58	61.37	1.48	–
Japan Growth	1	66.39	66.39	67.49	0.00	–

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
Avon Equity	6	98.85	100.43xd	106.84	3.37	41071

NM Unit Trust Mngrs (1200)F
The Bilton Centre, North Harbour, Portsmouth
Enquiries 0705 372222 Dealing 0705 387730

Unit Name	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-line
American ♥	5¼	40.80	40.80	43.52	0.76	41072
(Accum Units) ♥	5¼	44.40	44.40	47.36	0.76	41073
Australian ♥	5¼	216.90	218.70	234.60	0.00	41074
(Accum Units) ♥	5¼	245.30	247.20	265.20	0.00	41075
Conscience	5¼	58.97	59.83xd	63.85	1.44	41076
(Accum Units)	5¼	63.28	64.21	68.52	1.44	41077
European	5¼	152.40	152.40	162.50	1.33	41078
(Accum Units)	5¼	162.60	162.60	173.40	1.33	41079
Extra Income	5¼	68.25	68.25	72.83	6.19	41080
(Accum Units)	5¼	102.20	102.20	109.00	6.19	41081
Far East Gth Acc	5¼	127.00	127.00	135.70	0.06	41082
Gilt & F I	5¼	56.78	56.78	60.11	7.67	41083
(Accum Units)	5¼	130.30	130.30	137.90	7.67	41084
Gold ♥	5¼	24.29	24.29	26.11	0.00	41085
(Accum Units) ♥	5¼	26.16	26.16	28.12	0.00	41086
Income	5¼	47.97	47.97xd	51.16	5.57	41087
(Accum Units)	5¼	140.70	140.70	153.20	5.57	41088
Intnl.	5¼	25.96	25.96	27.85	0.97	41089
(Accum Units)	5¼	37.30	37.30	40.02	0.97	41090
Jap Smaller Cos	5¼	226.20	226.20	241.20	0.00	41091
Sing & Malaysian	5¼	128.40	128.40	137.60	0.00	41092
(Accum Units)	5¼	133.50	133.50	143.10	0.00	41093
Smaller Co's	5¼	21.82	21.82xd	23.46	2.05	41094
(Accum Units)	5¼	25.23	25.23	27.12	2.05	41095
Special Sits	5¼	29.76	29.76	32.00	1.91	41096
(Accum Units)	5¼	33.96	33.96	36.51	1.91	41097
Sterling Deposit	0	100.2	100.20xd	100.20	6.60	–
(Accum Units)	0	100.70	100.70	100.70	6.60	–
Tokyo	5¼	58.23	58.23	62.11	0.00	41098
(Accum Units)	5¼	58.82	58.82	62.74	0.00	41099
UK Equity	5¼	149.50	149.50xd	159.50	3.14	41100
(Accum Units)	5¼	277.20	277.20	295.60	3.14	41101
US Smaller Cos ♥	5¼	98.54	100.50	107.40	0.00	41102

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

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GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
John Govett Management (IoM) Ltd				
Dlr Geared Eur NAV Jan 15	$16.72		-	45839
Paragon Plus Red Jan 4	£9 99		-	46732
Paragon Stlg Red Jan 4	£11 32		-	46733
SE Asian Wrt NAV Jan 14	$9 81		-	46013
Govett Mngd Ftrs Jan 15	£14 15	15 47	-	44516
Govett Mngd Ftrs Jan 15	$9 99	10 93	-	47538
Mus Horizons Inc Jan 14	$15 76		-	46843
Mus Horizons Inc Wts Jan 14	$7 89		-	-
Dllr Geared Bd Jan 15	$7.30		-	46440
IBI Global Funds Limited				
Intl Stlg Gwth	£20 59	21 68	-	45289
Intl $US Gwth	$17 75	18 70	-	45290
High Income Gilt	£26 06	27 02	-	45291
International Equity	£20 84	21.95	-	45292
International Bond	£22.54	23 37	-	45293
Managed Currency	£27.64	27 93	-	45294
Sterling Currency	£26 63	26 91	-	46030
US$ Currency	$37 82	38.21	-	46031
Irish £ Currency	I£15 39	15 56	-	46029
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.04	11.51	-	44455
B F Offshore Inc Fd Ltd	£11 45	11.94	-	46580
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9 45	10 23	-	46450
Nathan Millon W-W S/S	£10 24	10.49	-	46581

JERSEY (SIB RECOGNISED)

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£- 21.1330	21.1412	-	47537
Managed Capital Bd	5		I£- 21.4092	21.4340	-	47754
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£- 11 0017		-	44685
Sterling Currency Fd	5		£- 10 6115		-	44683
Ecu Currency	5		Ecu- 11 0064		-	46562
US Dollar Mngd Curr	5		$- 21.6554		-	47336
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Acc)	5¼	0.865	0 870	0.931	0.7	44758

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Attention on rates

THE MARKETS' focus this week will clearly be on the prospects for reductions in French and German interest rates, *writes James Blitz.*

The 15 basis point cut in German money market rates on January 7 has eased tensions inside the European exchange rate mechanism in the past ten days.

The French franc briefly traded above FFr3.38 on Friday, nearly five centimes above its ERM floor. The Irish authorities have managed to cut money market rates without endangering the punt, and the Danish krone is – as yet – unscathed by the political crisis following Mr Poul Schlüter's resignation.

But there is a strong feeling in the market that the Bundesbank needs to ease policy again, either this Thursday or at its council meeting on February 4th, if tensions are not to return to the system.

A factor affecting the Bundesbank's decisions will be the talks on a solidarity pact between the German government, opposition, employers and trade unions to finance the soaring cost of German unification.

Members of Germany's ruling coalition government claim to have made "huge progress" in finalising proposals, and plans will be presented to the parliamentary parties tomorrow.

Attention will also focus on whether the Bank of France now reverses its recent rise in official interest rates, when it officially intervenes in the domestic market today and on Thursday.

Short-dated interest rates are still at between 11¾ and 12 per cent, and commercial banks are under growing pressure to pass these rises onto the retail sector. The prospect of European interest rate cuts is certain to give the dollar a firm underpinning, despite narrow range trading last week.

Mr Bill Clinton's inaugural speech as US President on Wednesday will be closely scrutinised for any indications its gives of plans to improve the country's economy with a fiscal stimulus.

£ IN NEW YORK

Jan.15	Close	Previous Close
£ Spot	1.5310-1.5303	1.5370 1.5380
1 month	0.52.5-0.52pm	0.53 0.51pm
3 months	1.38-1.35pm	1.38 1.35pm
12 months	3.92-3.85pm	3.97 3.87pm

Forward premiums and discounts apply to the US dollar

OTHER CURRENCIES

Jan 15	£	$
Argentina	1.5330 - 1.5355	0.9980 - 0.9990
Australia	2.2775 - 2.2795	1.4830 - 1.4840
Brazil	21627.0 - 21641.5	14080.0 - 14080.5
Finland	8.2890 - 8.3740	5.3750 - 5.3950
Greece	329.750 - 336.350	214.680 - 218.970
Hong Kong	11.8855 - 11.9020	7.7375 - 7.7385
Iran	2313.00*	1493.00*
Korea(Sth)	1208.35 - 1227.85	790.20 - 796.40
Kuwait	0.46800 - 0.46900	0.30470 - 0.30500
Luxembourg	51.35 - 51.45	33.55 - 33.65
[illegible]	[illegible]	[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Jan 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5275 - 1.5410	1.5295 - 1.5305	0.54-0.52cpm	4.16	1.39-1.36pm	3.59
Canada	1.9575 - 1.9705	1.9595 - 1.9605	0.08-0.03cpm	0.34	0.11-0.04pm	0.15
Netherlands	2.7975 - 2.8150	2.8050 - 2.8150	¼-⅜cdis	-1.33	⅝-¾dis	-1.07
Belgium	51.30 - 51.55	51.35 - 51.45	4-8cdis	-1.40	13-19dis	-1.25
Denmark	9.6225 - 9.6850	9.6275 - 9.6375	5½-9¾oredis	-9.34	16½-21¼dis	-7.84
Ireland	0.9425 - 0.9500	0.9445 - 0.9455	3.90-2.25cpm	39.05	4.65-2.65pm	15.45
Germany	2.4900 - 2.5050	2.5000 - 2.5050	¼-⅜pfdis	-1.50	¾-1dis	-1.50
Portugal	223.75 - 225.50	224.00 - 225.00	139-149cdis	-7.70	393-420dis	-7.24
Spain	176.70 - 177.75	176.85 - 177.15	114-124cdis	-8.07	328-342dis	-7.57
Italy	2290.50 - 2310.00	2296.75 - 2297.75	10-12lireidis	-5.75	31-34dis	-5.66
Norway	10.5225 - 10.6150	10.5325 - 10.5425	3½-4½oredis	-4.27	8¾-10½dis	-3.68
France	8.4300 - 8.4725	8.4475 - 8.4575	3¼-3¾cdis	-5.06	9½-10½dis	-4.73
Sweden	11.0875 - 11.1575	11.1225 - 11.1325	2¾-3¾oredis	-3.37	6¾-8¼dis	-2.67
Japan	192.50 - 193.75	192.50 - 193.50	⅝-½ypm	3.50	1⅝-1½pm	3.24
Austria	17.51 - 17.61	17.54 - 17.57	1¾-3grodis	-1.67	4-7¾dis	-1.32
Switzerland	2.2775 - 2.2950	2.2850 - 2.2950	⅛-¼cpm	1.31	¼-½pm	1.09
Ecu	1.2675 - 1.2750	1.2720 - 1.2730	0.31-0.35cdis	-3.11	0.98-1.05dis	-3.19

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.43-2.38pm 12 Month 4.00-3.90pm. Corrected Swedish Krona for Jan.13 11.4575-11.4675.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5275 - 1.5410	1.5295 - 1.5305	0.54-0.52cpm	4.16	1.39-1.36pm	3.59
Ireland†	1.6140 - 1.6270	1.6170 - 1.6180	5.75-3.75cpm	35.24	8.70-5.70pm	17.81
Canada	1.2790 - 1.2840	1.2815 - 1.2825	0.36-0.41cdis	-3.60	1.03-1.13dis	-3.37
Netherlands	1.8215 - 1.8370	1.8355 - 1.8365	0.82-0.85cdis	-5.46	2.14-2.19dis	-4.72
Belgium	33.35 - 33.70	33.55 - 33.65	14.30-15.30cdis	-5.29	39.00-42.00dis	-4.82
Denmark	6.2525 - 6.3025	6.2925 - 6.2975	5.50-8.50oredis	-13.34	16.00-19.00dis	-11.12
Germany	1.6200 - 1.6370	1.6350 - 1.6360	0.76-0.78pfdis	-5.65	2.04-2.07dis	-5.03
Portugal	145.65 - 147.00	146.85 - 146.95	142-147cdis	-11.80	390-405dis	-10.82
Spain	114.95 - 115.90	115.75 - 115.85	110-120cdis	-11.92	315-335dis	-11.23
Italy	1489.00 - 1503.00	1501.25 - 1501.75	12.00-13.00liredis	-9.99	34.70-36.20dis	-9.44
Norway	6.8250 - 6.8950	6.8850 - 6.8900	3.70-4.50oredis	-7.14	11.10-12.10dis	-6.74
France	5.4800 - 5.5275	5.5225 - 5.5275	4.15-4.30cdis	-9.18	11.35-11.75dis	-8.36
Sweden	7.1900 - 7.2975	7.2700 - 7.2750	4.00-5.00oredis	-7.43	11.30-12.30dis	-6.49
Japan	125.65 - 126.25	126.05 - 126.15	0.06-0.07ydis	-0.62	0.10-0.11dis	-0.33
Austria	11.4050 - 11.4600	11.4400 - 11.4450	0.05-0.06grodis	-0.06	13.00-16.00dis	-5.07
Switzerland	1.4820 - 1.4995	1.4970 - 1.4980	0.32-0.35cdis	-2.68	0.99-0.93dis	-2.56
Ecu†	1.2015 - 1.2100	1.2020 - 1.2030	0.73-0.72cpm	7.23	2.04-2.01pm	6.74

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Jan.15	£	$	DM	Yen	F Fr.	S Fr.	N FL	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.530	2.502	193.0	8.452	2.290	2.810	2297	1.960	51.40	177.0	1.272
$	0.654	1	1.635	126.1	5.524	1.497	1.837	1501	1.281	33.59	115.7	0.831
DM	0.400	0.612	1	77.14	3.378	0.915	1.123	918.1	0.783	20.54	70.74	0.508
YEN	5.181	7.927	12.96	1000.	43.79	11.87	14.56	11902	10.16	266.3	917.1	6.591
F Fr.	1.183	1.810	2.960	228.3	10.	2.709	3.325	2718	2.319	60.81	209.4	1.505
S Fr.	0.437	0.668	1.093	84.28	3.691	1	1.227	1003	0.856	22.45	77.29	0.555
N FL	0.356	0.544	0.890	68.68	3.008	0.815	1	817.4	0.698	18.29	62.99	0.453
Lira	0.435	0.666	1.089	84.02	3.680	0.997	1.223	1000.	0.853	22.38	77.06	0.554
C $	0.510	0.781	1.277	98.47	4.312	1.168	1.434	1172	1	26.22	90.32	0.649
B Fr.	1.946	2.977	4.868	375.5	16.44	4.455	5.467	4469	3.813	100.	344.4	2.475
Pta	0.565	0.864	1.414	109.0	4.775	1.294	1.588	1298	1.107	29.04	100.	0.719
Ecu	0.786	1.203	1.967	151.7	6.645	1.800	2.209	1806	1.541	40.41	139.2	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

Jan 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6½ - 6¼	6½ - 6¼	7⅛ - 6⅞	7 - 6¾	6⅞ - 6⅝	6⅝ - 6⅜

LONDON INTEREST RATES (other centres)

Jan.15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.65-8.70	8.60-8.70	8.50-8.65	8.45-8.60	8.00-8.30	9.50
Paris	12¾-12½	11¾-12	-	11⅝-11¾	-	9.10
Zurich	5¾-5½	5⅞-5⅝	-	5½-5⅜	-	-
Amsterdam	8.25-8.31	8.30-8.38	-	8.00-8.08	-	-
Tokyo	3⅝-3½	3⅝-3½	-	-	-	-
Milan	12½-12⅝	12¾-13	-	12¾-12⅞	-	-
Brussels	8⅞-8⅝	8⅞-8⅝	-	8⅞-8⅝	-	-
Dublin	16-18	30-35	25-30	18-25	16-18	-

LONDON MONEY RATES

Jan 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9	7⅛	7⅛	7⅛	6⅞	6¾
Interbank Bid	6½	6⅞	6⅞	6⅞	6⅝	6⅝
Sterling CDs	-	-	7	6⅞	6⅞	6⅞
Local Authority Deps.	7	6½	7	6⅞	6⅞	6¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6⅞	6⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	7	6⅞	6¾	6⅝
Treasury Bills (Buy)	-	-	6⅝	6½	6⅞	-
Bank Bills (Buy)	-	-	6¾	6⅝	6⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.08	3.16	3.29	3.64
SDR Linked Dep. Offer	-	-	5½	5⅝	5¼	5¼
SDR Linked Dep. Bid	-	-	5¼	5⅜	5⅛	5
ECU Linked Dep. Offer	-	-	10¼	10⅛	9⅞	9⅜
ECU Linked Dep. Bid	-	-	9¾	10⅛	9¾	9⅛

Treasury Bills (sell); one-month 6⅝ per cent; three months 6⅞ per cent; six months 6⅜ per cent; Bank Bills (sell); one-month 6⅞ per cent; three months 6⅞ per cent; Treasury Bills; Average tender rate of discount 6.2972 . ECGD Fixed Rate Sterling Export Finance. Make up day December 31 ,1992 . Agreed rates for period January 26, 1993 to February 23 , 1993, Scheme I: 8.38 p.c., Schemes II & III: 8.50 p.c. Reference rate for period December 1, 1992 to December 31 , 1992, Scheme IV&V: 7.232 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from January 1 , 1993: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 3½ per cent; one-three months 6 per cent; three-six months 5½ per cent; six-nine months 5 per cent; nine-twelve months 5 per cent; Under £100,000 3½ per cent from Nov.16, 1992, Deposits withdrawn for cash 1¾ per cent.

WEEKLY CHANGE IN WORLD INTEREST RATES

	Jan.15	change		Jan.15	change
BRUSSELS			MILAN		
One month	8¾	+⅛	One month	12⅞	-⅛
Three month	8¼	-⅛	Three month	12⅞	-⅛
AMSTERDAM			DUBLIN		
One month	8.34	+0.11	One month	32½	+12
Three month	8.04	+0.06	Three month	21½	+4½

BASE LENDING RATES

	%		%		%
Adam & Company	7	Cyprus Popular Bank	7	Mount Banking	7
Allied Trust Bank	7	Duncan Lawrie	7	NatWestminster	7
AIB Bank	7	Equatorial Bank plc	7	Northern Bank Ltd	7
●Henry Ansbacher	7	Exeter Bank Limited	8	Nykredit Mortgage Bnk	7.5
B & C Merchant Bank	13	Financial & Gen Bank	7	●Rea Brothers	7
Bank of Baroda	7	●Robert Fleming & Co	7	Roxburghe Bank Ltd	9
Banco Bilbao Vizcaya	7	Girobank	7	Royal Bk of Scotland	7
Bank of Cyprus	7	●Guinness Mahon	7	●Smith & Williamson Secs.	7
Bank of Ireland	7	Habib Bank AG Zurich	7	Standard Chartered	7
Bank of India	7	●Hambros Bank	7	TSB	7
Bank of Scotland	7	Hampshire Trust Plc	13.5	Unibank plc	7
Barclays Bank	7	Heritable & Gen Inv Bk.	7	●United Bk of Kuwait	7
Brit Bk of Mid East	7	●Hill Samuel	7	Unity Trust Bank Plc	7
●Brown Shipley	7	C. Hoare & Co	7	Western Trust	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Whiteaway Laidlaw	7
Citibank NA	7	Julian Hodge Bank	7	Yorkshire Bank	7
City Merchants Bank	7	●Leopold Joseph & Sons	7		
Clydesdale Bank	7	Lloyds Bank	7		
The Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7	McDonnell Douglas Bk.	7		
Credit Lyonnais	7	Midland Bank	7		

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 8	1992/93 High	1992/93 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2765.1	2759.2	2745.3	2757.9	2773.4	2799.2	2861.5	2281.0	2861.5	986.9
FT-SE Mid 250	2890.6	2888.1	2876.3	2879.1	2889.9	2932.7	2919.3	2157.8	2919.3	1379.4
FT-SE-A 350	1359.8	1357.3	1350.7	1355.9	1363.0	1377.2	1388.9	1103.1	1388.9	664.5
FT-A All-Share	1340.16	1337.58	1331.18	1338.17	1342.90	1356.35	1373.20	1086.13	1373.20	61.92
FT-SE Eurotrack 100	1089.58	1076.93	1063.02	1071.43	1069.87	1080.25	1200.27	937.42	1200.27	500.45
FT-SE Eurotrack 200	1160.32	1154.08	1144.79	1152.84	1155.95	1167.34	1248.79	1010.09	1248.79	938.62
FT Ordinary	2138.6	2140.6	2129.6	2137.0	2150.3	2176.8	2209.9	1670.0	2209.9	49.4
FT Government Secs.	93.60	93.49	93.43	93.31	93.36	93.83	95.54	85.11	127.40	49.18
FT Fixed Interest	108.87	108.80	108.91	108.84	108.98	109.38	110.26	97.15	113.26	50.53
FT Gold Mines	82.2	81.9	80.8	81.3	82.4	81.9	150.6	60.4	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price	W'k % Ch'nge	Amnt £m	Interest due	Last xd	City line
"Shorts" (Lives up to Five Years)							
Treas 8¾pc 1993		100⅛xd	—	980	Au18 Fe18	12.1	5047
10pc 1993‡‡		100⅝	-.1	1,650	Oc15 Ap15	8.9	1278
12½pc 1993‡‡		102⅞	-.1	1,100	Ja14 Jy14	8.1	1296
Funding 6pc 1993‡‡		99⅞	0.2	600	Mr15 Se15	10.8	1276
Treas 13¾pc 1993‡‡		105⅞	—	1,085	My23 Nv23	19.10	1304
8½pc 1994		102⅛xd	0.1	2,100	Au3 Fe3	29.12	4871

BRITISH FUNDS - Cont.

	Notes	Price	W'k % Ch'nge	Amnt £m	Interest due	Last xd	City line
14pc '98-1		128⅛	—	978	Nv22 My22	16.10	1306
9¾pc 2002		108⅝	-.2	5,777	Fe27 Au27	21.7	1349
8pc 2003 (£25 pd)		23⅛	-1.1	2,500	Ja10 Oc10	—	—
10pc 2003		110⅜	-.3	2,503	Mr8 Se8	3.8	1281
Treas 11½pc 2001-4		117⅜	-.1	1,020	Se19 Mr19	13.8	1290
Funding 3½pc '99-4		68⅞	-.4	443	Ja14 Jy14	8.1	1274
Conversion 9½pc 2004		106⅝	-.5	3,012	Ap25 Oc25	18.9	1246

BRITISH FUNDS - Cont.

	Notes	Price	W'k % Ch'nge
Index-Linked	(b)		
Treas. 2pc '94	(102.9)	132⅛	-.1
2pc '96	(67.9)	194⅞	-.2
4⅝pc '98	(135.6)	108	—
2½pc '01	(78.3)	158	-.5
2½pc '03	(78.8)	155	-.5

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 15 1993 US Dollar Index	% chg ($) since 31/12/92	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/92	Gross Div. Yield	THURSDAY JANUARY 14 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	120.09	-4.0	116.37	95.72	102.11	118.49	-2.1	4.10	118.04	113.83	93.79	99.39	117.16	153.68	108.18	148.63
Austria (18)	131.16	-6.4	127.09	104.55	111.52	110.82	-5.6	2.20	132.37	127.65	105.18	111.46	111.60	186.70	131.16	164.89
Belgium (42)	133.37	+0.1	129.24	106.30	113.41	110.52	+1.2	5.47	135.28	130.45	107.48	113.90	111.26	152.27	131.19	141.92
Canada (113)	113.09	-2.2	109.59	90.14	96.16	104.99	-1.4	3.15	113.31	109.26	90.03	95.40	104.98	142.12	111.36	142.12
Denmark (33)	186.70	+0.3	180.91	148.82	158.75	159.85	+0.6	1.71	188.41	181.68	149.71	158.64	160.61	273.94	181.70	284.40
Finland (23)	72.68	+4.4	70.43	57.94	61.80	82.14	+7.5	1.72	70.43	67.91	55.96	59.30	80.08	89.80	52.84	86.61
France (99)	146.15	-0.7	141.62	116.48	124.26	126.66	-0.7	3.56	145.31	140.12	115.45	122.34	125.14	168.75	136.93	149.69
Germany (62)	103.24	-0.8	100.04	82.30	87.78	87.78	+0.2	2.59	102.90	99.23	81.77	86.64	86.64	129.69	101.59	117.76
Hong Kong (55)	235.04	+6.1	227.75	187.34	199.86	233.50	+6.0	3.84	236.11	227.68	187.61	198.81	234.55	262.28	176.36	183.93
Ireland (16)	140.09	+3.2	135.75	111.67	119.12	122.04	+3.5	4.35	140.07	135.07	111.30	117.94	121.61	173.71	122.98	172.29
Italy (76)	58.81	+7.2	56.99	46.88	50.01	65.95	+9.2	3.15	57.12	55.08	45.39	48.09	64.03	80.86	47.47	78.31
Japan (472)	100.75	-4.1	97.63	80.31	85.68	80.31	-3.1	1.04	101.07	97.46	80.31	85.11	80.31	140.95	87.27	123.95
Malaysia (69)	256.21	-2.0	248.27	204.21	217.84	255.81	-2.9	2.60	255.37	246.25	202.90	215.01	255.76	282.42	212.49	220.64
Mexico (18)	1850.88	+0.2	1599.73	1315.92	1403.74	5611.72	-0.2	1.07	1652.26	1593.25	1312.84	1391.16	5622.71	1789.77	1185.84	1506.53
Netherland (25)	151.28	-0.1	146.59	120.58	128.63	126.77	+0.9	4.49	152.09	146.65	120.84	128.06	126.40	169.70	147.88	152.35
New Zealand (13)	41.51	-3.2	40.23	33.09	35.30	42.91	-3.2	5.10	41.19	39.72	32.73	34.68	42.70	48.52	37.39	46.72
Norway (22)	143.08	+3.9	138.64	114.05	121.66	133.76	+3.4	1.80	143.60	138.47	114.10	120.91	134.00	192.95	128.05	192.95
Singapore (38)	210.42	-1.4	203.90	167.72	178.91	160.77	-0.3	2.05	209.43	201.95	166.41	176.33	159.92	229.63	179.65	224.35
South Africa (60)	156.40	+5.6	151.55	124.66	132.98	164.94	+5.0	3.08	157.95	152.31	125.50	132.98	165.45	283.60	134.21	260.62
Spain (47)	124.04	+6.4	120.20	98.88	105.47	108.82	+7.5	5.58	122.05	117.69	96.98	102.78	106.57	161.72	107.10	154.15
Sweden (36)	161.13	-2.7	156.13	128.44	137.01	173.47	+0.1	2.47	161.81	156.03	128.57	136.24	172.65	200.28	149.69	185.22
Switzerland (56)	111.46	-1.4	108.00	88.85	94.78	103.48	+0.8	2.07	112.58	108.56	89.46	94.80	103.40	122.37	95.99	100.69
United Kingdom (226)	170.11	-1.3	164.84	135.58	144.63	164.84	-2.3	4.49	170.59	164.50	135.54	143.62	164.50	200.07	161.86	179.86
USA (522)	178.68	+0.3	173.15	142.43	151.94	178.68	+0.3	2.87	178.20	171.83	141.59	150.04	178.20	180.06	160.92	170.76
Europe (781)	135.47	-0.4	131.27	107.98	115.19	124.55	-0.2	3.79	135.44	130.60	107.61	114.04	123.74	156.88	131.31	146.06
Nordic (114)	146.84	-1.0	142.29	117.05	124.86	140.29	+0.9	2.18	147.16	141.91	116.93	123.91	139.74	188.52	141.24	186.60
Pacific Basin (715)	105.89	-3.5	102.61	84.41	90.04	86.12	-2.6	1.40	106.11	102.32	84.32	89.35	86.09	141.97	93.70	126.54
Euro-Pacific (1496)	117.87	-2.1	114.22	93.94	100.22	101.42	-1.5	2.52	117.98	113.77	93.74	99.33	101.09	145.21	113.80	134.63
North America (635)	174.62	+0.2	169.21	139.21	148.50	173.69	+0.3	2.88	174.18	167.96	138.41	146.88	173.24	176.04	158.70	168.93
Europe Ex UK (555)	114.68	+0.3	111.12	91.43	97.53	102.44	+1.3	3.29	114.40	110.31	90.91	96.34	101.44	132.98	111.33	125.49
Pacific Ex. Japan (243)	156.31	+0.4	151.47	124.61	132.92	145.73	+1.0	3.64	155.53	149.98	123.60	130.97	145.36	176.31	146.06	152.07
World Ex. US (1687)	119.10	-1.9	115.41	94.94	101.27	103.56	-1.4	2.53	119.24	114.98	94.75	100.40	103.25	146.91	115.99	137.12
World Ex. UK (1983)	135.22	-0.9	131.03	107.79	114.99	122.88	-0.5	2.47	135.10	130.27	107.35	113.76	122.52	150.58	127.21	144.34
World Ex. So. Af. (2149)	138.23	-1.0	133.95	110.19	117.55	126.22	-0.7	2.68	138.15	133.21	109.78	116.32	125.85	153.05	130.04	146.69
World Ex. Japan (1737)	159.30	+0.1	154.36	126.99	135.47	153.65	+0.2	3.21	159.02	153.34	126.37	133.91	153.07	165.40	151.93	161.23
The World Index (2209)	138.25	-1.0	133.97	110.20	117.56	126.58	-0.7	2.68	138.18	133.24	109.80	116.35	126.22	153.70	130.66	147.44

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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Constituent change during the week ending 15/1/93: Name change: BP Canada to Talisman Energy Inc. (Canada).

Constituent changes with effect 18/1/93: Addition: Pinault-Printemps (France). Deletion: Pinault (France). Japanese market closed 15/1/93.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for the deduction of basic rate income tax. CAR: Compounded Annual Rate, to take account of compounding of interest paid other than once a year. Frequency at which interest is credited to the account.

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	17[illegible]xd	-3.4	60c	FeMyAuNv	12.1	1503
Allegheny & W	♥	457p	8.0	30c	–	–	–
Amdahl		406p	10.7	10c	MrMyJeAu	31.1	–
Amer Cyanamid		35[illegible]	-.3	$1.65	MrJeSeDe	4.5	–
Amer Express		16[illegible]xd	–	$1.00	FeMyAuNv	28.9	1594
Amer T & T		34[illegible]xd	0.9	$1.32	FeMyAuNv	28.12	1597
Ameritech		46[illegible]	3.2	$3.68	FeMyAuNv	28.3	–
BankAmerica		30[illegible]xd	6.2	$1.30	FeJeSeDe	16.11	1744
Bankers NY		43[illegible]xd	-.6	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		34[illegible]	2.6	$2.60	FeMyAuNv	4.7	–
BellSouth		33[illegible]	3.1	$2.76	FeMyAuNv	5.4	–
Bethlehem Steel	♥	10[illegible]xd	-4.1	–	MrJeSeDe	6.2	1821
Bowater		1462pxd	-4.9	$1.20	OcJaApJy	9.3	1884
CPC	h	31[illegible]xd	3.3	$1.29	JaApJyOc	28.12	2263
Cadiz Land Inc	♥	115p	–	–	†	–	–
California Engy		1095p	–	–	–	–	–
Chase Manhattan		19[illegible]xd	5.1	$1.20	FeMyAuNv	26.10	2109
Chrysler		22[illegible]xd	-1.1	60c	ApJyOcJa	10.12	2135
Citicorp		14[illegible]xd	5.0	–	–	23.10	2141
Colgate-Palm		39[illegible]xd	1.7	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1397p	8.3	60c	DeMrJeSe	31.5	–
Dana		30[illegible]xd	-4.5	$1.60	MrJeSeDe	23.11	2306
Data General		764p	-1.2	–	–	–	–
Decora Inds	♥	146p	–	–	†	–	–
Dun & Brad		36[illegible]	0.7	$2.28	MrJeSeDe	13.2	–
Exxon		61[illegible]	-1.8	$2.88	FeMyAuNv	2.2	2410
Echlin		15[illegible]xd	–	70c	JaApJyOc	28.12	3046
FPL		23[illegible]xd	–	$2.44	MrJeSeDe	28.8	–
Ford Motor		29xd	-1.5	$1.60	MrJeSeDe	27.10	2615
Gen Elect		55[illegible]xd	-4.0	$2.52	JaApJyOc	2.12	2675
General Host	♥	580p	-1.0	34c	†	13.12	–
Gillette		38[illegible]xd	4.0	72c	MrJeSeDe	28.10	2695
Hasbro		20[illegible]	–	26c	FeApJyNv	1.8	–

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Hemlo Gold C$	23¾	-3.3	020c	-	Dec Jun	8.11	-	
Ivernia West IE	38	—	-	-	-	-	-	
Kells Mins IE	8	—	-	-	-	-	3741	
Kenmare	7	-6.7	-	-	-	-	1453	
Melinga Res.	18	-14.3	-	-	-	-	-	
Navan Res IE	25	-3.8	-	-	-	-	1185	
5pc Ln Notes	25	-3.8	-	-	-	-	-	
Oryx Gold	47½	—	-	-	-	-	3586	
Plateau	38	—	-	-	-	-	3487	
RTZ	658	-2.2	19.5	1.5	Dec Jul	21.9	3880	
Vizcaya	3	—	-	-	-	-	4193	

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and *net dividends* are in pence *unless* otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks *where transactions and prices are published continuously through the* Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ✤ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; *not listed on Stock Exchange and company not subjected to* same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Tadpole Tech. (Electronics), Hoare Govett Smllr. Cos, Joe Group (Capital, Income and Zero Pf.), Second Consld. and Yeoman Zero Pf. (Inv. Trusts), Elsevier (Media) and National Express (Transport). Deletions: Montedison (Chemicals), Sale Tilney (Conglomerates) and Trillion (Media).

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4 pm close January 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 - 93 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Quote	Close	Ch'ge Prev. Close
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NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close January 15

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		33	12232	30	29	29 3/4	-3/8
Xoma Corp		4	2120	9 1/2	9	9 1/4	+1/8
Yellow Fr	0.94	22	1384	29 3/4	27 3/4	29 1/8	+1 1/8
York Rsch		7	647	7 1/8	6 7/8	7 1/8	
ZionsUtah	0.84	13	60	u78 1/4	76	78	+1

AMEX COMPOSITE PRICES

4 pm close January 15

MONDAY INTERVIEW

Man who would be worker bee

Edouard Balladur, potential leader of the next French government, talks to **William Dawkins** and **David Buchan**

Mr Edouard Balladur, the courtly technocrat tipped to lead the next French government after the March parliamentary election, says prime ministers of France are like worker bees.

"An eminently frustrating function," says 63-year-old Mr Balladur, quoting from his latest book, Dictionary of Reform, as he holds forth in his elegant office just down the road from the National Assembly. "The prime minister is like a kind of industrious bee, devoted exclusively to protecting and feeding the president of the republic, the queen bee, to whom is attributed every success and all that is good," he explains.

Wisely, Mr Balladur refuses comment on the general belief in France that he will run the right-wing government which the polls indicate will take over from the Socialists after a decisive election victory. Even so, he carelessly fails to stop himself slipping from the conditional into the future tense when describing the policies the next government would, or will, follow. The message is that, future prime minister or not, Mr Balladur will set the tone for the next right-wing administration and has already drawn up his action plan.

As finance minister in the last right-wing government in 1986-88, Mr Balladur drew up the policy of delicate cohabitation with the Socialist President François Mitterrand. So he will be well-qualified to run the next cohabition government, and argues in his book that cohabition can even allow worker bee prime ministers more margin for manoeuvre than in governments in which prime minister and president are from the same party.

So what kind of man might the French get as the pivotal player in government? Mr Balladur is nice but a bit dull. One could happily entrust the family savings to him. He keeps himself to himself and is unfailingly courteous, even to his political opponents – a sober contrast to the media folk, entrepreneurs and academics who so interestingly spice the Socialist team.

His origins and background are quite different to those of Mr Pierre Bérégovoy, the current prime minister, a Ukrainian working-class lad who made his way from metal-working to the Matignon. Mr Balladur, born into a rich banking family, is a brilliant product of the Ecole Nationale d'Administration, the stable of the elite.

As former chief adviser to Mr Georges Pompidou, Mr Balladur was thought to have held the government together during the former president's long terminal illness, an experience he no doubt hopes will not be repeated with the ailing Mr Mitterrand. The Pompidou experience has marked Mr Balladur in that his ideas seem closer to the moderate pragmatism of his old boss than the Gaullism of the RPR party to which he belongs.

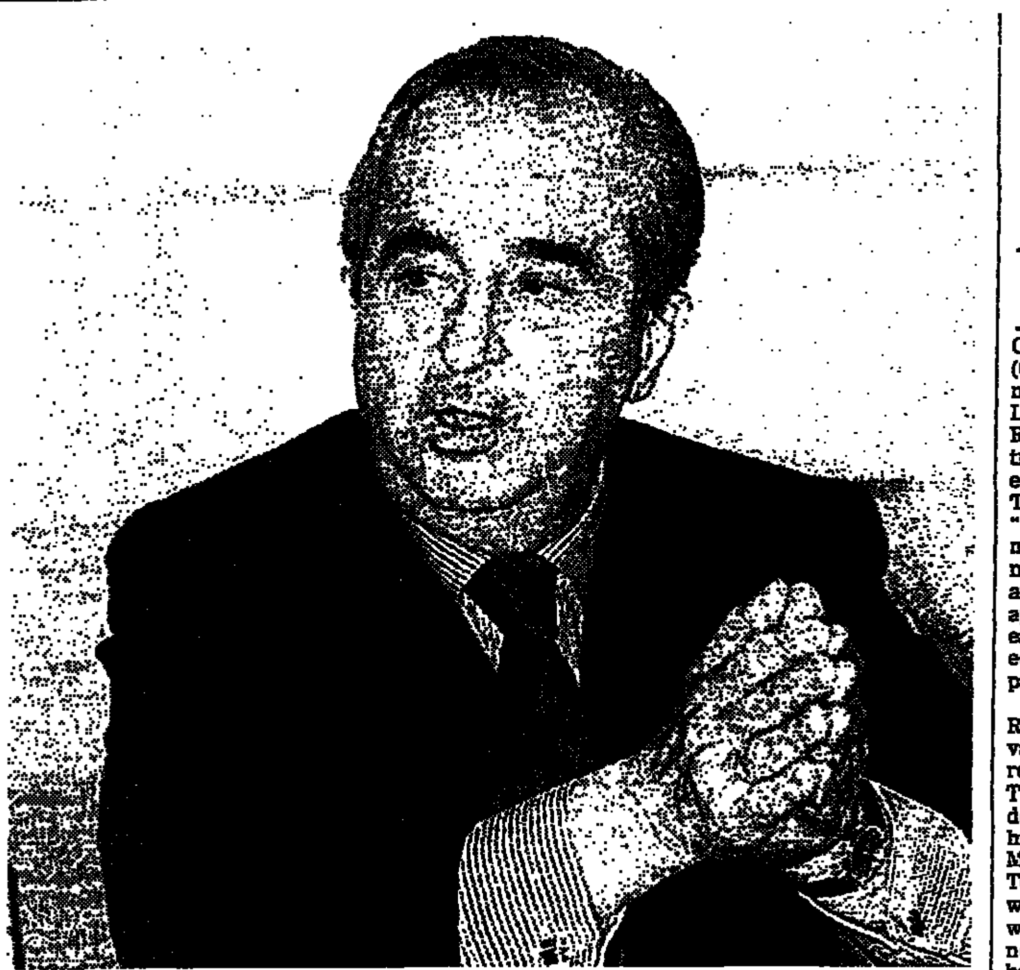
Yet in one important way, Mr Balladur is also like Mr Bérégovoy, another former finance minister. They both appear most confident on their home turf, economic policy. If the style is different, the underlying content of Mr Balladur's policies are very similar to the Socialists, a mark of how mainstream French politics has converged on the centre in recent years.

On matters such as the need to promote European construction, the defence of the franc and the importance of preserving the rural economy, Mr Balladur and the current government speak the same language. "Today, the objective of the EC is to organise our continent so that it is more responsible for its destiny in monetary affairs, in commercial affairs – from where comes the need to defend our vital interests in Gatt – and on the military and diplomatic arena, from where we derive the need to develop political co-operation," says Mr Balladur.

He is thus about as pro-EC as it is possible for a Gaullist to be. This, plus his good manners, might make him the least unacceptable candidate to Mr Mitterrand with whom, after all, the choice of prime minister lies.

In the election run-up, Mr Balladur plays up his policy differences with the Socialists, but they are mostly on domestic economic management. "The budget deficit risks being triple what we left in 1988, the state debt is double, and the fall in taxes and charges necessary to put our country into good condition for the single market has not been made. There is the difference in our general ideas," he says.

Yet Mr Balladur makes no promises about turning back record unemployment, now close to 3m and a big factor in the Socialists' unpopularity.



'It will be a difficult year throughout Europe'

"This will be a difficult year in all European countries and we cannot hope to do better than to try to stop the damage." If western economies pick up at the end of the year, unemployment might start to fall, but Mr Balladur says it would be "irresponsible" to make precise forecasts.

One of the toughest challenges facing the next government will be to persuade voters that it has better solutions to unemployment than its predecessor. "It's not an intellectual difference, it's a question of action. The real source of unemployment is heavy social security charges, insufficient training and too rigid forms of work. We must act in all these directions. It's one thing to say things, it is another to act on them," Mr Balladur says.

Here he calls for state backing for apprenticeships and more part-time working – an area where he admits the Socialists have done well.

PERSONAL FILE

1929 Born in Smyrna, Turkey. Educated at Lycée Thiers, Marseille; Law faculty, Aix en Provence; *Paris Institute of Political* Studies and Ecole Nationale d'Administration.
1957 Auditor, Conseil d'Etat.
1964-68 Head of mission, then technical adviser to Georges Pompidou, prime minister.
1969-74 Elysée deputy secretary-general, then secretary -general under President Pompidou.
1977-86 Chairman, Générale de Service Informatique, computer service group.
1980-86 President, Compagnie Européene d'Accumulateurs.
1986-88 Minister of economy, finance and privatisation.
1988 Member of parliament for Paris.

Where he does break new ground is to call for sharp cuts in high social charges and taxes, which he says absorb the equivalent of half of gross domestic product, a serious burden on economic activity and employment.

This would be funded by an ambitious privatisation programme, similar to the FFr140bn wave of privatisations he organised in 1986-88, seen as one of the Gaullist government's few successes. He is moderately confident that the Paris stock market will be able to absorb heavy state asset sales in the current difficult economic conditions. "In 1986 I was told it would take 15 to 20 years to privatise the companies I had selected. In 14 months, I privatised half of them ... Today, the conditions are no doubt less favourable. We shall see. It must be done and we will do it in the best interests of the state."

Mr Balladur is already preparing a list of privatisation candidates, which he says will start with banks, insurance companies and industrial groups.

He sees no point in using privatisation income to curb the deficit in the short term, even though he thinks the shortfall will be at least FFr100bn (£11.7bn) too high this year at FFr230bn or FFr240bn, a long way over even the Socialists' target. He would rather concentrate on tax cuts to stimulate the economy and cut the deficit when that has been achieved. "It will be necessary to have a five-year plan for the recovery of public finances to avoid debt becoming a factor in strangling activity," he adds.

The other big challenge facing a right-wing administration will be to hold the line against a diverse minority which wants to float or devalue the franc to pave the way for a drop in French interest rates. Mr Balladur, an early proponent of a single European currency, is a staunch defender of the *franc fort* policy. Yet the right is more internally divided on the *franc fort* policy than the Socialists, for which the right comes in for a lot of teasing from the government.

"It is natural that there should be a debate. On the other hand, I am not prepared to let the government get away with claiming that it is the opposition's fault if there has been speculation against the franc," says Mr Balladur. He is convinced that devaluation would drive up long-term interest rates – and hence the cost of industrial investment – as has happened in Britain after sterling left the EMS, "an operation from which we would have nothing to gain".

The overall impression is that France under a government run and selected by Mr Balladur is likely to be less fun – less erratic – than the Socialists. But Mr Balladur would certainly bring a steady pair of hands to a sensitive period.

A wake-up call from Laura Tyson

MICHAEL PROWSE
on
AMERICA

President-elect Bill Clinton's selection of Ms Laura D'Andrea Tyson as chairman of his Council of Economic Advisers (CEA) and his reliance on economic advice from the likes of Labour Secretary-designate Robert Reich, a lawyer by training, has angered many US economists. The Los Angeles Times reported a mood of "quiet fury" at this month's meeting of the American Economics Association. Supporters and detractors of the Clinton appointees have been insulting each other for weeks on the editorial pages of leading papers.

In a typical intervention, Mr Robert Barro, a leading conservative economist at Harvard, referred dismissively to Ms Tyson's "scant academic credentials". Mr Paul Krugman, his liberal counterpart at the Massachusetts Institute of Technology, claimed Mr Reich was a "pop-internationalist" who was ignorant of basic economic theory. Mr Krugman has more time for Ms Tyson (who has an MIT PhD), but found himself in hot water after telling one reporter she lacked analytical skills.

In preferring Ms Tyson to Mr Larry Summers, a Harvard economist on leave at the World Bank, Mr Alan Blinder of Princeton University and Mr Krugman, all of whom are committed Democrats with impeccable academic records, Mr Clinton showed no respect for the profession's own pecking order. Yet claims that Ms Tyson, a Berkeley professor, is unqualified for the post are unfounded.

The roll call of past CEA chairmen is actually rather undistinguished; it excludes all of the most respected postwar economists, including giants such as Paul Samuelson, Milton Friedman and James Tobin. The only true academic star to get the job was Harvard's Martin Feldstein, but he resigned in frustration when Ronald Reagan ignored his pleas for deficit reduction.

Most presidents have chosen ideologically compatible, middle-ranking economists with an interest in public policy. Ms Tyson fits this bill perfectly: she was a logical choice for Mr Clinton because she has written extensively on trade and industrial policy and shares his prejudice that government inaction, especially in high-technology sectors, has helped undermine US competitiveness. By naming Ms Tyson, Mr Clinton also struck a long overdue blow against male dominance of the economics profession; only a handful of women have won tenured posts at the top ranking universities.

The overall balance of Mr Clinton's economic team, however, is harder to defend. Doubts raised by Ms Tyson's appointment were exacerbated by the naming of Mr Ron Brown as commerce secretary and Mr Mickey Kantor as US trade representative. These lawyer-lobbyists have scant economic experience and will sit on a National Economic Council (NEC) that includes Treasury Secretary Lloyd Bentsen, budget director Leon Panetta (both lawyer-politicians), NEC director Robert Rubin (a lawyer-banker), Mr Reich (a lawyer-author) and Ms Tyson, an economist who is sceptical of the efficiency of free markets.

The problem lies less in any individual appointment than in the fact that nobody at the highest level is a natural champion of market forces. Nobody can be relied upon to make the counter-arguments against proposals, for example, to subsidise particular "strategic" sectors. While talented, Mr Clinton's cabinet thus lacks the kind of economic anchor that might have been provided by, say, Mr Paul Volcker, the former Federal Reserve chairman, at the Treasury or a highly respected "mainstream" CEA chairman.

On the other hand, Mr Clinton is tapping a rich vein of talent at sub-cabinet level. Mr Summers is getting the undersecretaryship for international affairs at the Treasury; Mr Larry Katz, one of the brightest young Harvard economists, is joining Mr Reich at Labour. Mr Joseph Stiglitz, a leading theorist at Stanford, is expected to join the highly regarded Mr Blinder as a junior member of the CEA. None of these "stars", however, will enjoy the influence or presidential access of Ms Tyson, who will rule the roost as Mr Clinton's "chief economist".

Mr Clinton deserves credit for puncturing some over-sized economic egos. But the controversy over his team runs far deeper. By relying heavily on the unorthodox Ms Tyson and on self-styled gurus such as Mr Reich and Rhode Island business consultant Ira Magaziner (who got a top White House post last week), Mr Clinton is signalling his exasperation with the economics profession, which he feels has shed little light on the long-run forces undermining US productivity growth and living standards.

This is perhaps an error. But if the profession is misunderstood it has nobody but itself to blame. It worships mathematical technique but pays little attention to the behavioural and institutional forces at play in the real world – which is too messy to model with tidy equations. It has lost relevance by trying to pretend economics is a "hard science" totally divorced from such related subjects as politics, psychology and sociology. It has lost its ability to communicate with the laity.

Ms Tyson doubtless appealed to Mr Clinton because she seemed more knowledgeable about industry and less politically naive than her colleagues. With any luck her appointment will serve as a wake-up call for economists everywhere.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

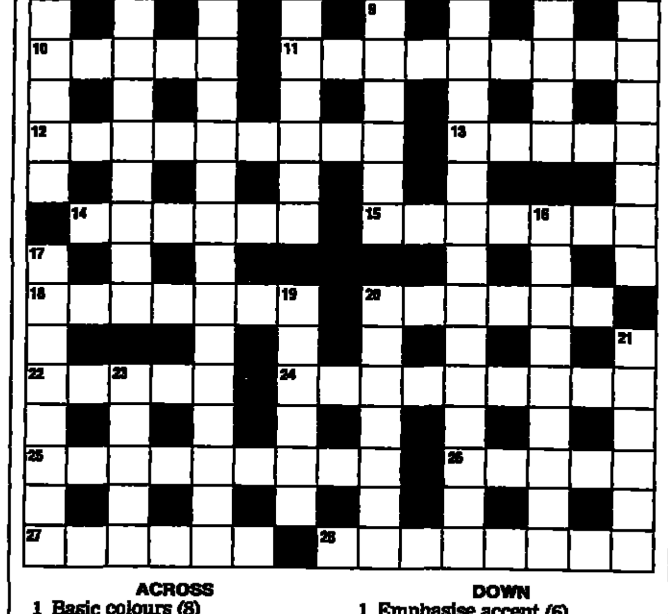
1/2 hour period ending	Provisional Price for Trading on 18.01.93: Pool purchase price £/MWh	Final Prices for Trading on 21.12.92: Pool purchase price £/MWh	Final Prices for Trading on 21.12.92: Pool selling price £/MWh
0030	17.46	20.00	20.00
0100	26.46	22.55	23.73
0130	26.46	26.02	27.36
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.01.93: Pool purchase price £/MWh	Final Prices for Trading on 20.12.92: Pool purchase price £/MWh	Final Prices for Trading on 20.12.92: Pool selling price £/MWh
0030	17.48	20.38	20.38
0100	28.63	25.03	27.33
0130	28.63	25.03	27.30
[illegible]	[illegible]	[illegible]	[illegible]

CROSSWORD

No.8,053 Set by QUARK



ACROSS

1 Basic colours (8)
5 Supporter of farm produce (3,3)
10 True leader of men's field of action (5)
11 A deserted community showing spirit? (5,4)
12 Pantomime highlights where babes rest in a piece of wood (9)
13 Dig gen out about origins of unusual diamonds (5)
14 Make a big effort fixing rivets (6)
15 Produce uplift from steel bonnet when reversing? (7)
18 Departure or leave-taking? That's to split hairs (7)
20 Father's effort, making a cake (6)
22 A shopping precinct sent back a certain cloth (5)
24 The delegate jogs in south island (9)
25 A petal tip to waver, flutter (9)
26 One's crossing, possibly floating? (5)
27 Former nurse to pull out (6)
28 Plant in plot with blemishes returning (8)

DOWN

1 Emphasise accent (6)
2 Flower near lake turning up as vase material? (9)
3 When you get this you'll be perfectly clear (15)
4 Migrate abroad for this music? (7)
6 See n-notes govern changes, become very irritating (3,2,4,6)
7 Amongst the overheads this could look threatening (5)
8 Unusual end embraced by cut. Satisfied? (8)
9 Firm alright? That's one in danger of crumbling (6)
16 Run out and meet troubles at pub. It shows the pressure (9)
17 Kind of order a sweet (5,3)
19 Funny gags about bachelor, an idle talker (6)
20 Ward for example captivated by piano with mechanical routine (7)
21 Attracted to one particular apostle (6)
23 Vote, without leader, to share out duties (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 30.

The world's no-win zones

IAN DAVIDSON
on
EUROPE

The jury is still out over what exactly was achieved by last week's air strike against military installations in Iraq. Taking out only half the targets does not seem a particularly impressive achievement. The more important question is, what did it achieve in strategic terms; or even, what was it *meant* to achieve in strategic terms?

The "new world order", which was supposed to be coming soon after the Gulf war two years ago, is still obviously a long way off. Released from the icy grip of the cold war, the international community is trying to do more than in the past about some of the wrongs of the world. The problem is that world-ordering is just as intractable as ever.

In Iraq, the west seems to be stuck with an ambiguous strategy that fails to reconcile conflicting objectives. In the former Yugoslavia, it is hoping against hope that the civil war can be brought to an end through trade sanctions and diplomatic negotiations, because no one wants to accept the alternative of military intervention on the ground.

Last week's air strike against Iraq was ostensibly to enforce the no-fly zone south of the 32nd parallel. Yet the reasons for this no-fly zone have by now become blurred. It was originally imposed to hamper Saddam Hussein's repression of the Shias in the south. In reality such repression would mainly be carried out by land forces; an air exclusion zone could not have much effect. So is it now really being maintained to limit Baghdad's ability to threaten Kuwait and the rest of the Gulf? To weaken his position at home? Or what?

In any case, Saddam showed last week that he can easily stick the outside world with the inherent contradiction between the UN's no-fly zone and its need for freedom to fly its arms inspectors anywhere. Since the air attack, he has said he would stop obstructing the arms inspectors; but it is obvious that this bombing raid, as with other bombing raids, is not a durable solution to anything, because it cannot be.

The situation in the former Yugoslavia is much worse. An apparent change of heart by the Bosnian Serbs last Tuesday gave an unexpected reprieve to the peace talks in Geneva; Mr Radovan Karadzic, the Bosnian Serb leader, said he accepted the constitutional plan put forward by Cyrus Vance and Lord Owen, and undertook to try to sell it to his own supporters.

Having conquered so much of the territory of Bosnia, many Bosnian Serbs will want to reject the plan. But if their answer is yes, then we shall face the moment of truth. For the next stage in the negotiations would be the allocation of territory to the various warring factions – Serbs, Moslems and Croatians – and that is where the briar patch gets really thorny.

The patchwork of 10 quasi-autonomous provinces, proposed by Mr Vance and Lord Owen, is an inherently bizarre recipe of contradictory principles. Poised uneasily on the cusp between autonomy for the (ethnically-based) provinces and the legitimacy of the state, it can hardly avoid rolling one way or another, almost certainly towards disintegration and the effective expansion of greater Serbia.

In principle, the plan concedes far too much to ethnic cleansing and territorial conquest, which are widely condemned. An even more serious problem in practice is that the Vance-Owen map would require the Bosnian Serbs to surrender a substantial proportion of the territory that they now effectively control.

If the Serbs do not agree to surrender the territory, the west will have an interesting choice: either to let them keep what they have conquered, in which case these negotiations will merely have served to endorse the Serbian aggression and savagery; or else to make them conform to the Vance-Owen map, which would mean a credible threat to deploy substantial international forces on the ground. No prizes are offered for guessing the likely outcome, since western governments are horrified at the idea of getting involved in this dirty civil war.

Aspirations for a better world order will not disappear. The Gulf war was a one-off event, unique in its black-and-white simplicity, unsatisfactory in its political outcome and irrelevant to other situations. Yet that UN performance set a precedent which continues to influence the mind-sets of the members of the Security Council.

It may be exceedingly difficult to reproduce that precedent, however. First, the US may be less politically inclined to take on the essential leadership role. We do not yet know just how President Clinton will respond to the latest spasm in the Iraqi crisis. But his election platform, with its clear priority for domestic issues, suggests that he would be less likely than Mr Bush to play the role of the global policeman.

In any case, the Gulf war already showed that the US can no longer afford to exercise this role alone. The shrinking of US finances, and then of US forces, mean that the growing demands for UN peacekeeping can only be met in future if the Europeans are prepared to share the leadership and the costs. In this context "Europeans" means more than just Britain and France: it means the Germans must play their part as well. The fact that the German Social Democrats have blocked any easing of the limitation on the use of German military force is a serious setback for the prospect of UN peacekeeping.